



2020–21

Annual Review

Helping consumers, small businesses and financial firms resolve complaints.
That's what AFCA does.



About this Annual Review

This Annual Review covers the Australian Financial Complaints Authority's (AFCA) operations from 1 July 2020 to 30 June 2021.

The AFCA complaints data relates to those complaints received by AFCA during the year, unless otherwise stated.

The Annual Review arises from the reporting requirements for external dispute resolution (EDR) schemes set out in Australian Securities and Investments Commission (ASIC) Regulatory Guide 139 and Regulatory Guide 267.

The 2020–21 Datacube, which shows complaint data about AFCA members, is available on our website at data.afca.org.au and provides data required under ASIC Regulatory Guide 267.

Australian Financial Complaints Authority Limited (the company) publishes on its website a General Purpose Financial Report for the year that incorporates the Directors' report and annual financial statements.

This Annual Review is available on our website at **afca.org.au/annualreview**.

Published October 2021.

AFCA acknowledges the traditional owners of country throughout Australia and their continuing connection to the land, culture and community. We pay our respects to Elders past, present and future.

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Board Chair message

AFCA received 70,510 complaints about financial firms in 2020–21 and it worked hard to achieve a fair outcome for all the parties involved. These outcomes included more than \$240.5 million in compensation and refunds, along with fee waivers, debt forgiveness and changes to financial product design.

AFCA plays a unique role in the financial services sector and the important services it provides to consumers and industry, reflected in these outcomes, are one of the many reasons that I was delighted to be appointed as the new Independent Chair in May 2021.

“In its first two years of operation, AFCA has established itself as an effective external dispute resolution scheme for financial services.”

With my background in both Chairing and leading organisations in a range of multi-dimensional and complex industries, including consumer products and advanced manufacturing, I am committed to ensuring that AFCA continues to focus on efficiency and customer service and that it provides clear member and community value. Reflecting on my first few months as Chair of the AFCA Board, I have been impressed with the work that has been done to establish the organisation and with the calibre and commitment of its people.

The most complained about product in 2020–21 was credit cards, accounting for 14% of all complaints, followed by home loans (9%) and personal transaction accounts (8%). Significantly, complaints involving financial difficulty were down nearly 40% from the numbers AFCA saw the previous year. That’s a great outcome and reflects the positive response from government and industry to the impact of the pandemic.

In 2020–21, there were 8,303 COVID-19 related complaints, up from 5,013 in just four months at the end of 2019–20 after the pandemic was officially declared.

In its first two years of operation, AFCA has established itself as an effective external dispute resolution scheme for financial services. This includes the provision of systemic issues investigations and reporting, and code monitoring administration services to the financial services sector.

While proud of what has been achieved so far, AFCA recognises there is more to be done to enhance the scheme’s operations and improve the experience for all users.

Independent Review

The legislation establishing AFCA required an Independent Review after 18 months to consider whether it had been effective in resolving complaints in a fair, efficient, timely and independent way. In 2021, the Federal Treasury conducted the Independent Review into AFCA’s first two years of operations.

As the new Chair of AFCA this could not have come at a better time as it enables an independent assessment of AFCA’s first few years of operations, and I am sure it will demonstrate where things are going well and where more focus should be given.

Implementing the recommendations from the Independent Review will be a key focus of the AFCA Board and management.

The next few years will be a critical time for AFCA, as it does this, as well as use data and technology to transform how it delivers its service. AFCA has several key strategic initiatives already underway, which are driving its transformation into a world-class ombudsman service.

AFCA Strategic Plan 2021–2024

AFCA's Strategic Plan 2021–2024 provides the blueprint for AFCA's work over the next three-years.

AFCA will focus on five strategic themes:

1. Customer service
2. Efficiency
3. External engagement
4. Data and technology
5. People experience

These strategic themes give direction beyond AFCA's short-term objectives. It is important that AFCA has the technology, systems, processes and people, so it can continue to meet the ever-increasing expectations of its stakeholders, withstand challenges – and at all times remain fair and independent.

Timeliness

We know that timeliness is a key aspect of a fair process. Delay leads to a negative experience for the parties. AFCA is engaging in a series of efficiency and procedural initiatives to deliver greater timeliness in our work.

AFCA currently resolves 50% of complaints within an average of 31 days. Seventy per cent of AFCA's complaints are resolved within 90 days, and 90% are handled within 180 days. The average time to finalise a complaint is 88 days.

The management team have a clear focus though not just on average times to resolve disputes, but on the cases that are taking longer than these averages. We all recognise the stress to the parties, and cost to business, of long drawn out matters. This will be a priority in the 2021–22 financial year and beyond.

Stakeholder engagement

It is vitally important that AFCA engages openly and constructively with all its members and stakeholders. I have been very encouraged by the meetings that I have already held with industry and have a range of future meetings planned with consumer organisations and other parts of the financial services sector. The AFCA Board is looking at ways in which we can hear the voices of stakeholders and their issues regularly throughout the year.

Data and analytics

AFCA is already doing great things with data. One example is the AFCA Datacube, a freely available set of data that allows anyone to see how insurers, banks, financial advisers, superannuation funds, or other financial firms, handle consumer complaints that are escalated to external dispute resolution.

Over the next three years, AFCA will focus on using deeper, data-driven analytics and insights. This will enable better experiences for members, consumers and small businesses and proactively engage with industry to positively influence practices. AFCA will do this while addressing long-term challenges and inefficiencies in its internal processes and systems.

IT digital transformation

AFCA is implementing technology changes to transform the consumer and member experience.

By the end of the project, AFCA will have digitally integrated systems and applications that are fit for purpose and agile. Processes will be streamlined with triaging, robotics and artificial intelligence enabling faster, more effective, and higher-quality outcomes.

There will also be a self-service capability with live dashboards and analytics to help members review emerging trends and proactively address issues.

Awareness and accessibility

Over the coming three years, AFCA will work to increase awareness of its services.

Awareness and accessibility are fundamental to AFCA as an organisation. AFCA has an obligation to members of the community to ensure they are aware of Australia's financial ombudsman and can access its service easily, and in a way that meets their needs.

During 2021–22, AFCA will develop a three-year awareness strategy and roadmap that builds awareness through a data-led multichannel approach, which targets consumers at their point of need. AFCA will also consult with internal and external stakeholders to develop an accessibility framework, reinforced by existing customer experience principles, to embed accessibility in everything it does.

AFCA will champion its Reflect Reconciliation Action Plan to ensure strong support, awareness and commitment across the organisation to deliver a culturally appropriate service for First Nations peoples.

Fees and the AFCA funding model

We are currently undertaking a review of AFCA's funding model to ensure it is cost-effective, fit-for-purpose and sustainable.

Since AFCA commenced handling complaints on 1 November 2018, it has been operating under an interim funding model. This is a hybrid model based on aspects of the Credit and Investments Ombudsman (CIO) and the Financial Ombudsman Service (FOS) schemes funding arrangements and the APRA (Australian Prudential Regulation Authority) levy model for superannuation trustees.

The interim funding model was intended to remain in place for the first three years of AFCA's operations, while it established an evidence base of complaint volumes and complexity in an expanded jurisdiction.

AFCA's interim funding model and fee structure have served the scheme well during its establishment phase. However, it is timely that the funding model and fee structure are reviewed now to ensure they are fit for purpose.

In reviewing this work, AFCA has developed a set of principles to guide any future funding model design. These principles will ensure that the long-term funding model addresses the recommendations of the Ramsay Review, the amendments to the *Corporations Act 2001* (Cth) and any recommendations coming out of the Treasury led Independent Review of AFCA.

Over the past 12 months, AFCA has received feedback about the current design from members. AFCA will ensure the funding model it develops is commercial, proportionate, and equitable across the member base. We will ensure that it provides AFCA with the investment that it needs to implement recommendations coming out of the Independent Review and to achieve its strategy.

AFCA intends to release information about any changes to its funding model early in the next calendar year, giving members and other stakeholders an opportunity to provide feedback.

Board renewal strategy

As part of our Board Governance processes, we have had an external Board evaluation conducted to ensure that our Board is strategically placed to enable AFCA to continue the journey as a world-class ombudsman service.

We have focused on the appropriate number of directors for the Board, the balance of skills and experience required, as well as tenure and succession planning.

Two of our directors, Johanna Turner and Alan Wein, have their terms come to an end at the close of this calendar year and we are currently in the process of recruitment to fill those vacancies.

Thank you

I want to thank AFCA's people for their excellent work over the past year, which has been

particularly challenging because of COVID-19. I am impressed by the calibre, commitment and professionalism of its people.

I would also like to thank my Board who provide great support and advice to AFCA's management, and their welcome to me as AFCA's new independent Chair. I would like to thank Johanna Turner and Alan Wein for their contribution to AFCA and wish them all the best for their next stage.

I thank AFCA's Chief Ombudsman and CEO David Locke and the management team for their dedication and leadership.

Finally, I thank the outgoing Chair, the Hon Helen Coonan, for her excellent work establishing AFCA as an important national body. It is clear that under Helen's stewardship sound foundations have been built, anchored in AFCA's values.

I am delighted as the Chair to support AFCA to deliver on its core purpose of providing fair and independent solutions for financial disputes.



Professor John Pollaers OAM
Chair of the AFCA Board



Chief Executive Officer and Chief Ombudsman message

I am very proud of all that AFCA achieved as an organisation in 2020–21, as we continued to deliver on our strategy in the face of a challenging environment. COVID-19 had a big impact on all Australians, affecting consumers, small businesses, and AFCA's own people. Our full range of services were maintained and, as this report shows, we resolved just under 74,000 cases at this time of stress and uncertainty for so many.

AFCA is independent and impartial, and this underpins everything that we do. We are not on the side of the consumer or the member, but work with both to achieve resolutions to disputes that are often seen as intractable by the parties.

We seek to achieve outcomes that are fair to all the parties, and a big part of this involves ensuring that each side is properly heard, and all the facts are independently investigated and analysed.

At AFCA, we believe that our role should not just be to resolve complaints that are escalated to us, but that we should also have a preventative role sharing best practice and supporting internal dispute resolution practices. To this end, we work proactively with members to seek to reduce the issues that are likely to give rise to complaints.

“We seek to achieve outcomes that are fair to all the parties, and a big part of this involves ensuring that each side is properly heard”

We engage with our members every single day in one-to-one meetings as well as through our complaint handling processes, our systemic issues team, code monitoring functions, industry forums and liaison meetings.

There are almost 41,000 AFCA members. This includes a growing list of voluntary members that see the value of our services, as well as the credibility and confidence that AFCA membership provides to consumers.

Most of our members do not have complaints made against them. In fact, only 16% of our members had a complaint made about them in 2020–21. This is a slight decrease from the previous reporting period where 19% of our members received a complaint. A further move in a positive direction.

AFCA is very focused on doing what we can to support better outcomes for our members, consumers and small businesses.

In 2020–21, we launched a series of initiatives to better improve our processes and the customer experience.

AFCA's fairness jurisdiction

AFCA's fairness jurisdiction is mandated by statute and supported by regulatory guidance. It reflects long-standing and familiar principles of the law and equity, and the jurisdiction of AFCA's predecessor schemes and other domestic and international ombudsman schemes.

We are very much guided by the law in our assessment of complaints at AFCA. Fairness is found everywhere in the law – from unfair contract terms to utmost good faith; from best interest duty obligations to fiduciary duties; from misleading and deceptive and unconscionable conduct obligations to the obligation of licensees to be efficient, honest and fair.

AFCA's Fairness Project was developed to ensure AFCA understood and could explain its fairness jurisdiction, that it had a fair process and provided fair outcomes in complaints handling. The project is also aimed at increasing transparency and helping members and consumers to understand what to expect when dealing with AFCA.

We know that consistency of our decision-making is important, and we spent the past year strengthening our framework for delivering on AFCA's fairness jurisdiction. This work is now being embedded into our 'business as usual' activities.

Engagement Charter

Over the last year, AFCA has developed an Engagement Charter to outline the service standards and values that stakeholders can expect of AFCA and, in turn, AFCA's expectations for the conduct and engagement of all users of our service in the resolution of complaints.

Key to the Charter is our expectation that all parties should cooperate reasonably to bring finality to a complaint. We want all parties to engage with each other in a way that is transparent and honest, respectful and fair, and in good faith. Procedural fairness is undermined by behaviour that causes inefficiency and delay.

The Charter also sets out how we will respond to financial firms and complainants that fail to comply with these expectations. As stated in our Rules, we can, at our discretion, stop engaging with a party in exceptional circumstances.

The Charter is a living document and is available on our website. It will also be part of our member onboarding experience. We thank all those members who have consulted with us on this project over the last 12 months, and who took the time to provide a written submission during our public consultation period earlier in the year. It has helped us to build a stronger and more meaningful document.

Timeliness

As AFCA's Chair has outlined, the AFCA Management team are very focused on the time that some cases are taking, particularly those that are taking over a year. There are only 1,489 cases over 365 days at AFCA, 56% of which are deliberately paused awaiting federal government legislation of a Compensation Scheme of Last Resort, test cases, or because the financial firm has been expelled. Many of the other files in this category are in the final stages of the process.

Some cases are extremely complex due to factors out of AFCA's control – for example, complainants with significant mental and/or physical health challenges and delaying behaviours from financial firms or complainants and their paid representatives.

We have also been cognisant during the COVID-19 pandemic of granting extensions of time to firms and customers who have been unable to meet deadlines and get relevant information to us.

However, as we know, timeliness is a key part of fairness. Accordingly, we have introduced a series of initiatives to reduce delays in complaint handling. These initiatives include the development of specialist teams, strengthened workflow management and triage mechanisms, the introduction of enhanced exception reporting, reiterating aged file prioritisation, implementing timeliness Key Performance Indicators (KPIs) and enhancing our communication strategies to ensure the parties are kept informed about progress.

We expect these initiatives, along with the broader strategic initiatives that Professor Pollaers has outlined in his message, to have a positive impact on the time it takes to handle complaints.

“AFCA is very focused on doing what we can to support better outcomes for our members, consumers and small businesses.”

Complaints lacking merit

We received feedback from a number of members, particularly those running small- and medium-sized businesses that, at times, they are faced with complaints lodged against them that, on the surface, appear to lack merit.

We have listened to this feedback and taken action. We recently ran a pilot to measure and test a different approach to dealing with complaints, particularly those in our Fast Track stream. Using our existing Rules, we established a new process to better scrutinise complaints at the very early stages of our process.

This pilot saw both the time taken to resolve the complaint reduced, along with the cost associated.

We believe this has demonstrated the process is faster, cheaper and fair to all parties involved.

We are making this change a permanent feature of our scheme.

Systemic Issues

Finally, I want to discuss our Systemic Issues function.

AFCA doesn't just handle individual complaints. It plays a critical role in the broader consumer protection framework through the identification, remediation and reporting of systemic issues and possible serious misconduct to three regulators. These regulators are the Australian Securities and Investments Commission (ASIC), Australian Prudential Regulation Authority (APRA) and the Australian Taxation Office (ATO).

AFCA commissioned an independent review of this function in early 2021. This was to confirm it was fit for purpose, aligned to the regulatory priorities of the regulators to whom AFCA reports, and to recommend ways it could be enhanced and clarified, including the development of a risk-based framework, and digital and data transformation.

As a result of this transformation process, financial firms can expect a more interactive and proactive systemic issues investigation process, instead of the formal paper-based approach we have adopted in the past.

We will also work with our stakeholders to share information in a transparent manner around the role and function of the systemic issues and remediation team, so the process is clearly understood by all. We will clearly explain our specific role, as distinct from that of the regulators and will develop better guidance for financial firms about our team's approach.

Finally, I would like to thank AFCA's Board for their diligent, wise and professional governance and to all of AFCA's staff for their hard work and resilience over the last year. Your ongoing commitment to AFCA's purpose and vision has meant that day in and day out, we have done our very best to deliver high-quality services to consumers and members. We have provided support to the Australian community and to industry when they needed us.

I look forward to continuing our work in 2021–22.



David Locke

Chief Executive Officer and Chief Ombudsman

About us

AFCA is Australia's financial industry ombudsman service that provides fair, free and independent solutions to financial disputes.

In 2020–21, AFCA received over 70,510 complaints, and closed 73,928 complaints. AFCA currently resolves 50% of complaints within an average of 31 days, providing a timely and fair outcome that allows consumers and small business owners to get on with their lives.

AFCA's service is offered as an alternative forum to tribunals and courts to resolve complaints that consumers and small businesses have with their financial firms.

AFCA is a one-stop shop for consumers and small businesses that have a dispute with their financial firm over issues such as banking, credit, general insurance, financial advice, investments, life insurance or superannuation.

Our role is to assist consumers and small businesses to reach agreements with financial firms about how to resolve their complaints. We are impartial and independent. We do not act for either party, or advocate for their position.

When a complaint is lodged, AFCA refers it back to the financial firm and provides an opportunity for consumers and financial firms to resolve their financial complaint directly between themselves.

If an agreement can't be reached, we can investigate the complaint and try to resolve it using negotiation or conciliation.

If this is unsuccessful, AFCA can make a decision in accordance with the decision-making powers under its Rules, either as a recommendation to the parties or a formal ombudsman decision.

However, the vast majority of complaints are resolved by complainants and financial firms through the referral back process, negotiation, conciliation and our early assessment. Only 7% of cases require AFCA to make a formal ombudsman decision.

AFCA is structured as a not-for-profit and non-government organisation. AFCA is a company limited by guarantee and governed by an independent Board of Directors. The Board of Directors consists of an independent Chair, and an equal number of Directors with consumer and industry expertise.

“Thank you to you and your organisation for your help. You guys have been amazing. My family and I went through a really rough time and we were not sure what to do. You guys did an amazing job.”

- Feedback from consumers

Strategic plan

Purpose

To provide fair, independent and effective solutions for financial disputes.

Vision

To be a world-class ombudsman service:

- improving practices and minimising disputes
- meeting diverse community needs
- trusted by all.

Strategy statement

Working with consumers, small business and industry we will resolve and reduce financial disputes through innovative solutions, education and communication. We will deliver services to the Australian community that are easy to use, free for complainants, efficient, timely and impartial.

Goals

Australian community and government

A fair, ethical and trusted service that influences reform in the financial services sector.

Consumers and small business

An excellent customer experience that meets diverse needs and delivers fair outcomes.

Members

A valued member experience that helps members to improve internal practices to avoid or resolve disputes.

Our people

Highly skilled and engaged people with the tools they need to deliver high-quality outcomes.

Strategic initiatives

- Fairness project
- Data and analytics
- IT transformation
- Enhanced member experience
- Enhanced customer service
- Culture

Values

Fair and independent

- We make fair, balanced and considered decisions.
- We are evidence-based.
- Impartiality underpins all our work.
- We ensure all parties are properly heard.

Transparent and accountable

- We do what we say and what is right.
- We are clear and transparent.
- We explain the reasons for our actions.
- We are timely, efficient and flexible.
- We are trusted and supported to do our jobs and take responsibility for what we do.

Honest and respectful

- People are at the heart of everything we do.
- We respectfully listen to all views.
- We show integrity in all our dealings.
- We are professional and treat everyone with dignity.

Proactive and customer focused

- We are outward-facing and proactive.
- We use data and experience to influence, inform and look ahead.
- We help businesses to improve their customer service and minimise disputes.
- Our services are accessible to all.
- We actively engage with diverse audiences, including those who may need extra help.

Year in review – strategic initiatives

This year, AFCA’s strategic initiatives focused on building a strong foundation that set us up for success in the future.

Fairness jurisdiction project

Fairness is an integral part of how we handle complaints. Members and consumers need consistent and predictable complaint handling that leads to timely and fair outcomes in accordance with AFCA’s Rules.

In 2020–21 AFCA:

- finalised and published AFCA’s Engagement Charter
- developed and implemented a robust staff training program on AFCA’s jurisdiction and Rules
- developed our approach to apprehended bias in complaints handling
- increased our focus on telephone conciliation and mediation techniques
- enhanced our processes for dealing with challenging behaviour and vulnerability
- concluded consultation on the Fairness Tool
- created a significant decisions library and specialist teams with subject matter expertise in areas such as transactions, scams and small business lending
- introduced revised investigation reasoning tables to ensure staff focus on relevant issues in their investigation and assessment of complaints
- revised our decision templates to make sure preliminary views and determinations now specifically call out and explain why a decision is fair. This may be as simple, for example, as saying a decision is fair because the financial firm has, or has not, met their legal obligations to the complainant
- strengthened our quality assurance framework and aligned it to our work understanding customer and member experiences.

“Thanks for the professional and timely way you dealt with my case. I believe that in all the circumstances the amount you determined was fair and reasonable. I appreciated the time you took to discuss my complaint in detail over the phone.”

- Feedback from consumers

Data and analytics

AFCA has focused on building data analytics capability in 2020–21.

We have:

- created predictive complaint forecast and triage models to improve and sharpen forecasting, remove waste and inefficiencies from complaint handling processes, and provide a better, faster experience for consumers and members
- built a strong data and analytics foundation through scalable, cloud-based modern data platforms, governance and controls
- uplifted internal capabilities to support future data and analytics growth. Using deeper, data-driven analytics and insights will enable better experiences for members, consumers and small businesses. It will also build confidence and proactively engage to positively inform change and influence better practices in industry, while addressing long-term challenges and inefficiencies in internal processes and systems.

Phase two of our data and analytics project is now underway and, in 2021–22, we will see the full implementation of the project.

Using deeper, data-driven analytics and insights will enable better experiences for members, consumers and small businesses. This will allow AFCA to proactively engage with, and positively inform, change and influence better practices in industry, while addressing long-term challenges and inefficiencies in AFCA's internal processes and systems.

IT digital transformation

AFCA's core case management systems and portals are no longer fit-for-purpose. We need innovative, future-focused technologies that underpin AFCA's digital transformation and provide an unparalleled experience for our people, consumers, small businesses and members.

In 2020–21, AFCA:

- assessed its infrastructure, technology and processes to understand its current state
- consulted with business, members and consumers to understand our requirements for our future state
- approached the market to discover the technology and options available to us, and what value and benefits they could bring to AFCA and our stakeholders
- selected a preferred platform and provider to replace our case management and portal systems.

AFCA's IT digital transformation will continue throughout 2021–22.

Enhanced member experience

AFCA has a dedicated membership team that assists AFCA members with the management of their membership including applications, online assessments, annual forecasting and everyday membership enquiries.

In 2020–21, AFCA improved its membership services. AFCA's goal is to enable its members to have an improved member experience and have access to high-quality information to help them to successfully manage complaints.

In 2020–21, AFCA:

- reviewed the entire membership services area and commissioned an independent survey of members to better understand their experiences, priorities and opportunities for improvement
- established membership services operational service standards that drove a consistent, timely and professional service to our members, including invoicing and onboarding
- delivered Datacube releases to improve functionality, deepen insights and enhance user features
- started work on delivering a new member resources portal that includes training products, such as videos and webinars, to help members build capability in key areas of dispute management. In 2020–21, the member portal had 443,966 page views
- began building a tailored member benchmarking report so members can see how their complaint handling figures compare with their peers
- held six virtual forum sessions across two days that received 4,549 total views from members across Australia
- launched the monthly membership newsletter 'Member News', which is sent to more than 30,000 subscribers every month.

“AFCA colleagues are personable, building a real sense of connection that the internal dispute resolution team has not felt before. This makes them more inclined to pick up the phone about disputes, which should improve efficiency and turnaround times for everyone.”

- Feedback from members

Enhanced customer experience

To achieve excellence in service delivery, we must ensure a strong operational foundation and embrace continuous improvement.

In 2020–21, AFCA:

- established a new Operational Excellence team to lead continuous improvement and quality
- rolled out KPIs across the business that align and reinforce AFCA's strategy and goals
- established a quality assurance framework with supporting annual priority focus areas that strengthen our capability and reduce risk
- designed and implemented a new approach to embed continuous improvement as an everyday part of how we make decisions and improve our services
- identified opportunities for change, and leading pilots and proof-of-concepts to test new ways of working.

In 2021–22, AFCA will focus on awareness and accessibility of our service, which is the next step in our customer service offering. AFCA will concentrate on ensuring there are truly accessible and flexible ways to submit a complaint, and to obtain relevant information in formats and mediums suitable for the appropriate audience. All of this is critical if AFCA is going to meet diverse community expectations and deliver fair and efficient outcomes for all.

Culture

Workplace culture is one of the most significant influences on organisational success and an individual's experience at work. Our aim is to nurture and shape a culture that aligns to AFCA's unique purpose and values, and enables us to deliver on our strategy.

In 2020–21, AFCA:

- created a shared understanding of what culture means at AFCA, by defining 'the way we do things around here'
- engaged all employees in defining the current culture.

Our culture project is a multi-year project that supports AFCA's strategic plan. Next year, we will translate insights into action in the form of a Cultural Development Plan.

Year at a glance

Complaints



70,510
complaints received.
Complaints down
12% on 2019-20



5,184
complaints
about financial
difficulty received



3,562
small business
complaints
received



76%
of complaints
lodged online



3,695
conciliation
conferences conducted



An total of **8,303**
COVID-19 complaints
received



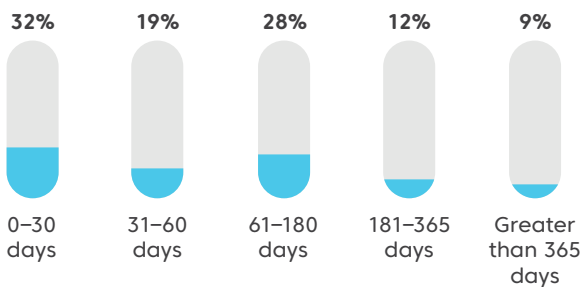
AFCA had **16,423** open cases, as
at 30 June 2021. 51% of these cases
were less than 60 days old



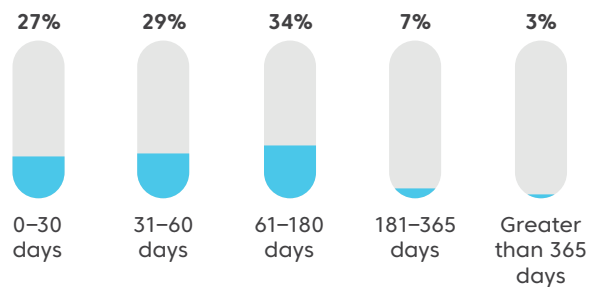
The average time to close a
complaint was

88 days

Open cases by age



Average time taken to close complaints





73,928 complaints closed.¹
50% resolved at Registration and Referral stage



72% of complaints resolved by agreement, or in favour of complainants



77% of complaints going to ombudsman/adjudicator determination were found in favour of the financial firm



More than **\$240.5 million²** in compensation was provided to consumers through AFCA's dispute resolution processes

Members

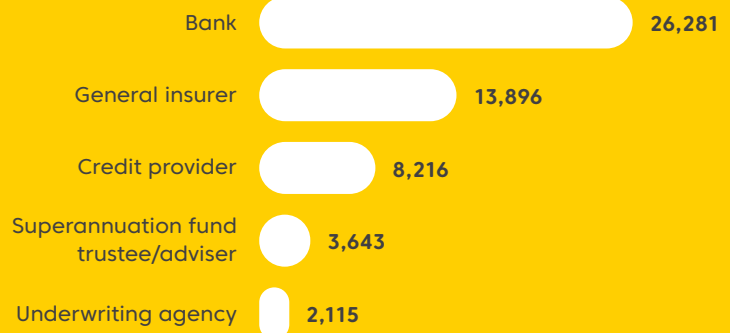


40,760 members



84% of members did not have a complaint lodged against them

Top five member types with the most complaints



Systemic issues



15 definite systemic issues currently under investigation



36 serious contraventions and other breaches referred to regulators since 1 July 2020

¹ This includes 18,347 complaints received before 1 July 2020, and 55,581 received from 1 July 2020 to 30 June 2021.

² This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA between 1 July 2019 and 30 June 2020.

Complainants



2% of complainants identified as Aboriginal Australians and/or Torres Strait Islanders



15,904 complaints had a representative. 29% of these representatives were a family member or friend, 23% were a paid representative, 3% were a financial counsellor and <1% were a consumer advocate.



882 complaints required an interpretation service



Service was provided in **83** different languages other than English

Customer service

Calls to our phone lines

Consumer and small business **128,661**

Membership **18,433**

COVID-19 support **4,214**



86% of calls answered within 90 seconds with a 36 seconds average wait time



2,543 customers were provided with extra assistance in lodging complaints



3,451 complaints lodged over the phone



13,183 complaints lodged via email



14,393 online live chats



443,966 page member portal views



969,502 unique website visitors and 3,299,596 total page views

Social media followers¹



2,456
Twitter



3,271
Facebook



11,881
LinkedIn

¹ As at 30 September 2021

Employees



782
employees



51% of all leaders are women, including 52% of our senior leaders and 67% of our Board members



35% of employees were born outside Australia



41% of employees identify as being culturally or linguistically diverse



6% of employees identified as having a disability



0.7% of employees identified as Aboriginal Australians and/or Torres Strait Islanders



11% of employees identified as being part of the LGBTQIA+ community

“Thanks again from myself, boys and family. I’ve spent the morning in tears due to the overwhelming relief. I don’t know which words to use that adequately address my appreciation.”

- Feedback from consumers



Membership

Who are our members?

At 30 June 2021, AFCA had 40,760 members. These included banks, insurers, credit providers, financial advisers, debt collectors and buyers, superannuation trustees and other financial firms. Around three quarters (30,175) of these members were authorised credit representatives, while 10,585 were financial services providers.

While some of these are very large institutions, the majority of our members are small and medium enterprises. The most common member types in 2020–21 were mortgage brokers, finance brokers, financial advisers/planners, credit providers and accountants.

Most of our members do not have complaints made against them; in fact, only 16% of our members had a complaint about them in 2020–21, which was a slight decrease from the previous reporting period.

Australian financial services licensees, Australian credit licensees, authorised credit representatives and superannuation trustees are required to be members of AFCA under their financial services licence conditions, in accordance with ASIC Regulatory Guide RG 165.

Under the *National Consumer Credit Protection Amendment (Debt Management Services) Regulations 2021*, certain debt management services were prescribed as a type of credit activity for the purposes of the *National Consumer Credit Protection Act 2009* (Cth). As a result, from 1 July 2021 providers of debt management services were also required to hold an Australian credit licence or, under transitional arrangements, have applied to ASIC for an Australian credit licence by 30 June 2021.

To ensure compliance with these regulations, they were also required to be members of AFCA's external dispute resolution (EDR) scheme by 30 June 2021. AFCA currently has more than 40 debt management firms as members. AFCA worked closely with ASIC and debt management firms in the first half of 2021, to ensure they met their requirements by 1 July 2021.

AFCA also has a number of organisations that are voluntary members. These members see the value AFCA can add, both in helping resolve complex disputes, and in providing their customers with open and transparent mechanisms for dealing with complaints when they arise.

Voluntary members include Buy Now Pay Later companies (some are not required to hold an Australian Financial Services Licence (AFSL)), that are members of the Australian Finance Industry Association (AFIA). In March 2021, AFIA launched the self-regulated 'Buy Now Pay Later Code of Practice', which states that all providers should be members of AFCA.

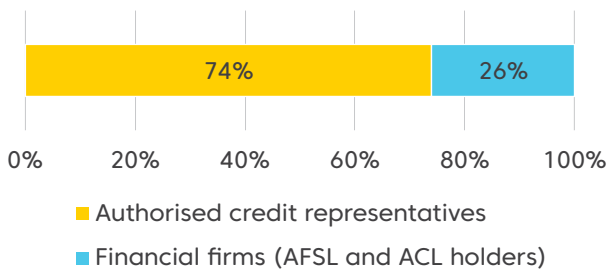
For information on how we engage with our members, please see page 87.

As at 30 June 2021

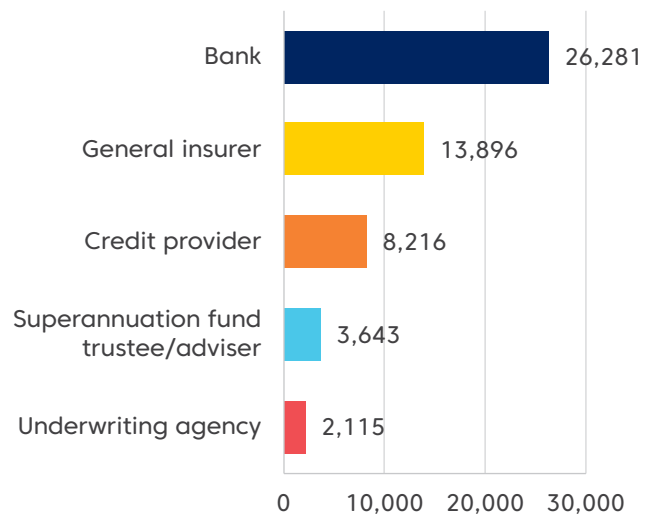
40,760 members

84% of members did not have a complaint lodged against them

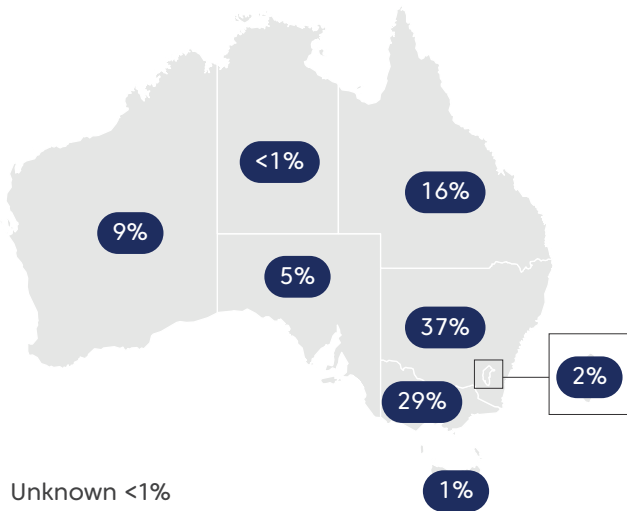
Number of members



Top five member types with the most complaints



Members by state



AFCA Rules change to provide certainty

In January 2021, AFCA amended its Rules to provide clarity for consumers and financial firms regarding our jurisdiction to receive complaints about the conduct of an authorised representative of an AFCA member.

The Rules change was the result of a legislative instrument issued by ASIC on 5 January 2021, requiring AFCA to update its Rules.

The Rules change follows the judgment of the NSW Supreme Court in *DH Flinders Pty Limited v Australian Financial Complaints Authority*, in November 2020. This case related to AFCA's jurisdiction to consider a complaint against a licensee in relation to the conduct of its corporate authorised representative, specifically where the conduct of the representative was outside authority.

The judgment highlighted that AFCA's Rules needed to be clearer to ensure they reflect the same obligations and liabilities for licensees as set out in the Corporations Act.

At ASIC's direction, the Rules now clearly reflect that AFCA has jurisdiction to assess the responsibility of licensees for the conduct of their authorised representatives as set out in the Corporations Act and the National Consumer Credit Protection Act.

The updated AFCA Rules apply to complaints received by AFCA from 13 January 2021 onwards.

“Our dispute teams are finding AFCA very fair and reasonable to deal with and have noticed a positive change.”

- Feedback from members

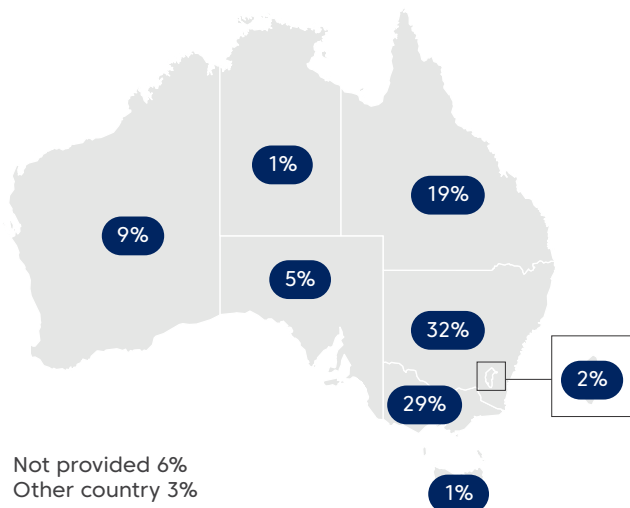


Complaints

Who complained to AFCA?

Between 1 July 2020 and 30 June 2021

Complainants by state and territory ¹



76% of complaints lodged online

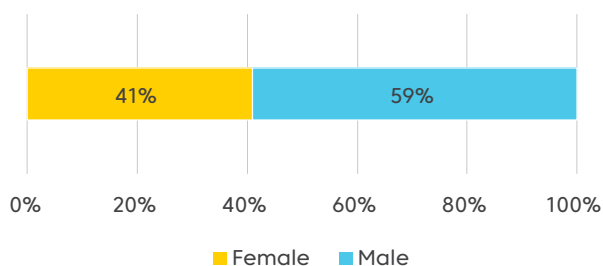
2% of complainants identified as Aboriginal Australians and/or Torres Strait Islanders

15,904 complaints had a representative.

Of these representatives:

- 29% were a family member or friend
- 23% were a paid representative
- 3% were a financial counsellor
- <1% were a consumer advocate

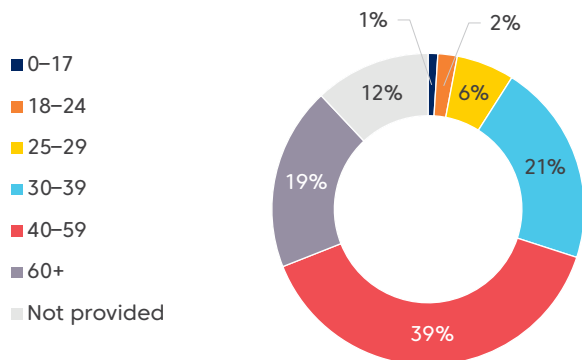
Received complaints by gender of complainant



882 complaints required an interpretation service

Service was provided in **83** different languages other than English

Received complaints by age of complainant



Top 10 languages (other than English) service was provided in

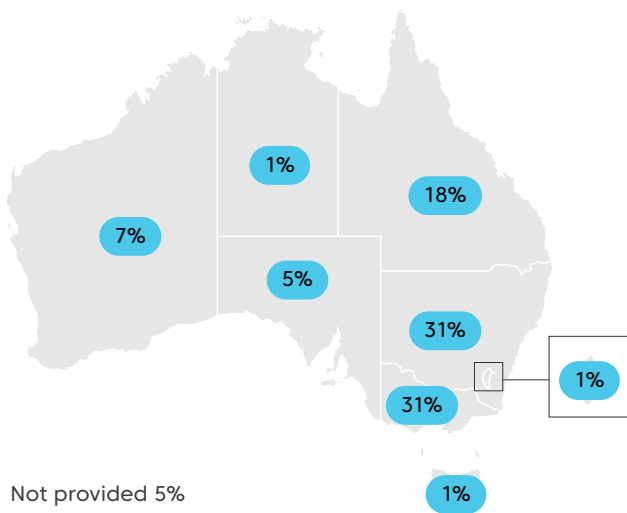
- | | |
|--------------------|---------------|
| 1. Mandarin | 6. Taiwanese |
| 2. Arabic | 7. Korean |
| 3. Cantonese | 8. Greek |
| 4. Vietnamese | 9. Punjabi |
| 5. Persian (Farsi) | 10. Afrikaans |

¹ One complaint may have multiple complainants.

Small business

Under the AFCA Rules, a small business is defined as an organisation with fewer than 100 employees. Complaints lodged by small businesses accounted for 5% of all complaints lodged with AFCA. Information on complaints lodged by small businesses can be found on page 63.

Complainants by state and territory



79% of complaints lodged online

17% of complaints lodged by email or letter

4% of complaints lodged by phone



“This result is such a relief for me and my family, me and my wife are so happy now. I wish I had known about AFCA before. This is a heavy burden off my shoulders.”

- Feedback from consumers

Overview of complaints

Australians in dispute with banks, insurers, super funds, investment firms and financial advisers lodged 70,510 complaints with AFCA over the past 12 months. A total of 73,928 complaints were resolved by AFCA this year.

Overall, complaints were down 12% on 2019–20, which was a year that included the initial months of the COVID-19 pandemic and a spike in complaints in areas such as travel insurance and superannuation.

Many complaints were resolved in favour of the financial firm. More than \$240.5 million in compensation and refunds were also given through the resolution process in 2020–21 to consumers and small businesses, as well as outcomes such as fee waivers, debt forgiveness and apologies.

In addition, AFCA's investigations into a range of possible systemic issues resulted in remediation payments to consumers totalling nearly \$32 million in the past financial year.

AFCA has now helped to secure almost \$660 million in compensation and refunds, and over \$220 million¹ in remediation payments, since commencing operation on 1 November 2018.

Speedy resolution of complaints continues to be a priority for AFCA, with processes designed to support all parties to a complaint to reach an agreement as early as possible.

Fifty-six per cent of cases were resolved within 60 days. On average, complaints were resolved in 88 days. This includes the referral back timeframe, which varies from 21 to 90 days depending on the product and/or issues raised by the complaint.

Complaint trends remained similar to previous financial years. The majority of complaints lodged with AFCA in 2020–21 related to banking and finance (60%). The most complained about product in 2020–21 was credit cards, accounting for 14% of all complaints, followed by home loans (9%) and personal transaction accounts (8%). With credit cards, the most common issues were default listings and unauthorised transactions – the latter accounting for 11% of card complaints.

Around a quarter (24%) of all complaints lodged with AFCA were about general insurance, the same as during the previous reporting period. Seven per cent of complaints with AFCA related to superannuation (down 2% on the last financial year), 6% were about investments and advice, and 2% were about life insurance (both the same as last year).

Government support, business relief measures and a steadying economy had a positive effect on complaint levels in 2020–21, including complaints involving financial difficulty.

Significantly, complaints involving financial difficulty were down nearly 40% from the numbers AFCA saw the previous year. This is a great outcome and reflects the positive response from government and industry to the impact of COVID-19.

In 2020–21, there were 8,303 COVID-related complaints, compared to 5,013 over the four months at the end of 2019–20 after the pandemic was officially declared.

The past 12 months included 165 complaints related to insurance cover held by small businesses for business interruption associated with COVID-19. More complaints are expected in the coming year, once the second of two test cases brought by the insurance industry is resolved.

Travel insurance complaints were down 22%, as Australians stayed at home, and superannuation complaints went down 31%, after a jump last year when the government allowed the early release of super at the start of COVID-19.

¹ As at 30 September 2021.

Complaints related to personal transaction accounts rose 48%, with unauthorised transactions accounting for 29% of those complaints. Also, complaints about electronic banking increased 76%, with unauthorised transactions accounting for 28% of those complaints and mistaken internet payments accounting for a further 19%.

There's no single reason for these increases, but people transacting online more during COVID-19 will have contributed. Scams, which have accelerated during the pandemic, are also leading to increasing complaints about transactions.

The data in this Annual Review has been classified by product type.

The product types are:

- Banking and finance
- Investments and advice
- Superannuation
- Life insurance
- General insurance

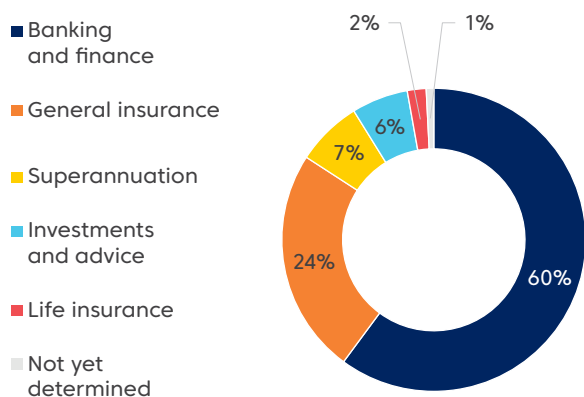
For more information on how we classify complaints refer to Appendix 1.

Between 1 July 2020 and 30 June 2021

Complaints received

70,510 complaints received

Number of complaints received by product line



Top complaints received by product ¹

Product	Total
Credit cards	9,903
Home loans	6,400
Personal transaction accounts	5,758
Personal loans	5,343
Motor vehicle – comprehensive insurance	4,386

Top five complaints received by issue ²

Product	Total
Service quality	6,880
Unauthorised transactions	5,048
Delay in claim handling	4,773
Denial of claim	4,193
Default listing	3,755

¹ One complaint can have multiple products.

² One complaint can have multiple issues.

Complaints closed

73,928 complaints closed ¹

More than **\$240.5 million** ² in compensation was awarded or obtained through AFCA

72% of complaints resolved by agreement, or in favour of complainants

77% complaints going to ombudsman/adjudicator determination were found in favour of the financial firm

Average time to close a complaint was **88 days**

Average time to close a financial difficulty complaint was **86 days**

Stage at which complaints closed ³

Stage	Total	Percentage
At Registration	37,049	50%
At Case Management	19,962	27%
At Rules Review	5,945	8%
Preliminary Assessment	5,457	7%
Decision	5,515	7%

Average time taken to close complaints

Product	Total	Percentage
Closed 0–30 days	19,874	27%
Closed 31–60 days	21,511	29%
Closed 61–180 days	24,821	34%
Closed 181–365 days	5,352	7%
Closed greater than 365 days	2,370	3%

¹ This includes 18,347 complaints received before 1 July 2020, and 55,581 received from 1 July 2020 to 30 June 2021.

² This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA between 1 July 2019 and 30 June 2020.

³ Percentages have been rounded and, as a result, do not total to 100%.

Open cases

As at 30 June 2021, AFCA had 16,423 open cases. Over half (51%) of these open cases were less than 60 days old.

The age of open cases is impacted by a number of factors. These include the referral back timeframe, which varies from 21 to 90 days depending on the product and/or issues raised by the complaint.

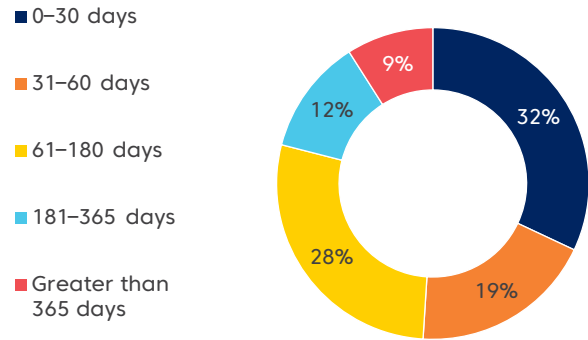
We have also been cognisant during COVID-19 of granting extensions of time to firms and customers who have been unable to meet deadlines and get relevant information to us.

Complaints handled through our Fast Track and Financial Difficulty processes generally have a lower age profile than those complaints that raise multiple and more complex issues.

AFCA has implemented a series of efficiency initiatives designed to deliver the fastest pathway to resolution. We know that timeliness is a key aspect of a fair process.

These measures include the development of specialist teams, strengthened workflow management and triage mechanisms, enhanced exception reporting, aged file prioritisation, key performance indicators for timeliness, and enhanced communication to keep parties informed of progress.

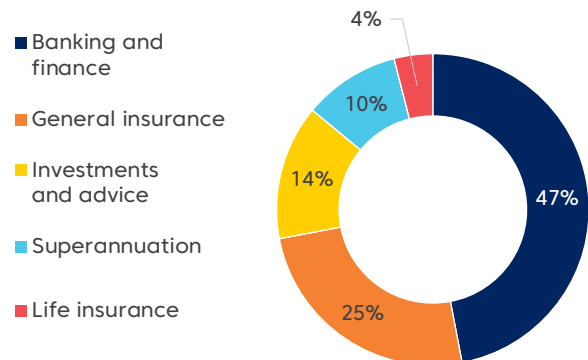
Open cases by age



Open cases by stage of the process they are at ¹

Stage	Percentage
At Registration	36%
At Case Management	38%
At Rules Review	4%
Preliminary Assessment	12%
Decision	11%

Open cases by product type



¹ Percentages have been rounded and, as a result, do not total to 100%.

Complaints closed by AFCA

AFCA resolved a total of 73,928 complaints between 1 July 2020 and 30 June 2021.

Half of the complaints were closed at Registration and Referral, the first step in the resolution process where the complaint is referred to the financial firm to resolve. AFCA was pleased to see financial firms engaging actively in the resolution process and working with complainants to resolve complaints quickly.

Complaints that were unable to be resolved at Registration and Referral were progressed to Case Management or Rules, where 35% of complaints were resolved.

The remaining complaints were resolved through Preliminary Assessment (7%) and Decision (7%).

Of the complaints, 72% were resolved by agreement between the parties, or in favour of complainants.

It took, on average, 88 days to resolve a complaint. Twenty-seven per cent of complaints were resolved within 30 days of AFCA receiving them. With almost the same amount again (29%) being resolved between 31 and 60 days.

More complex cases that took 61 to 180 days to resolve made up 34% of closed complaints. The remaining 10% of closed complaints took more than 180 days to resolve.

In addition to these complaints, AFCA also closed three FOS complaints and 14 CIO complaints that were transferred to AFCA.

The 17 complaints transferred from predecessor schemes, FOS and CIO, and resolved during this financial year were longstanding and complex matters. Complaints lodged with FOS were resolved by AFCA under the FOS terms of reference, and complaints lodged with CIO were resolved by AFCA under the CIO Rules.

Further information about complaints that were lodged with FOS and CIO and closed in 2020–21 is available on page 149.

Remedies

AFCA will generally try to first resolve a complaint by informal methods, such as negotiation or conciliation.

However, if we make a formal decision, there are a number of outcomes – also called ‘remedies’ – that we can provide under our Rules.

We may decide that a financial firm or complainant must undertake a course of action to resolve a complaint. We will only provide a remedy if we decide that a financial firm has breached its obligations to a complainant and this has caused loss or harm.

Some of the remedies we can award have financial value and others do not. We can’t impose punitive, exemplary or aggravated damages.

When deciding on the remedy, as far as we can, we seek to either:

- place a complainant in the position they would have been in, if it had not been for the conduct of the financial firm; or
- compensate the complainant for their loss, to the extent AFCA holds the financial firm responsible for the loss.

Between 1 July 2020 and 30 June 2021

	AFCA	FOS	CIO
Complaints resolved by agreement or in favour of complainant			
Resolved by financial firm	38,716		2
Assessment	507		
Negotiation	10,744		
Conciliation	1,004		
Preliminary Assessment in favour of complainant	880		
Determination in favour of complainant	1,092	2	8
Preliminary Assessment: trustee decision substituted	1		
Preliminary Assessment: trustee decision varied	2		
Determination: trustee decision remitted	10		
Determination: trustee decision substituted	47		
Determination: trustee decision varied	3		
Total	53,006	2	10
Other outcomes			
Outside Rules or Terms of Reference	6,786		
Discontinued by complainant ¹	8,203		2
Decision in favour of financial firm	3,397	1	2
Preliminary Assessment in favour of financial firm	2,050		
Preliminary Assessment: trustee decision affirmed	18		
Determination: trustee decision affirmed	468		
Total	20,922	1	4
Grand total	73,928	3	14

¹ These complaints were discontinued because the complainant requested that the complaint be withdrawn, or the complainant did not respond to us.



Banking and finance complaints

Between 1 July 2020 and 30 June 2021

Banking and finance complaint data includes financial difficulty complaints. For specific information on financial difficulty complaints, please see page 59.

Complaints received

42,261 complaints received

55% resolved at Registration and Referral stage

Top five banking and finance complaints received by product ¹

Product	Total
Credit cards	9,903
Home loans	6,400
Personal transaction accounts	5,758
Personal loans	5,343
Electronic banking	1,668

Top five banking and finance complaints received by issue ²

Issue	Total
Unauthorised transactions	4,878
Service quality	4,373
Default listing	3,750
Financial firm failure to respond to request for assistance	2,735
Incorrect fees/costs	2,480

Complaints closed

44,258 complaints closed ³

Average time to close a complaint
81 days

Stage at which banking and finance complaints closed

Stage	Total
At Registration	24,388
At Case Management	11,779
At Rules Review	3,707
Preliminary Assessment	2,341
Decision	2,043

Average time taken to close banking and finance complaints

Time	Total
Closed 0–30 days	32%
Closed 31–60 days	31%
Closed 61–180 days	29%
Closed 181–365 days	5%
Closed greater than 365 days	4%

¹ One complaint can have multiple products.

² One complaint can have multiple issues.

³ This includes 9,273 complaints received before 1 July 2020, and 34,985 received from 1 July 2020 to 30 June 2021.

AFCA can consider complaints about a range of banking and finance products and services including:

- deposits to current accounts and savings accounts
- banking payment systems including over the counter payments, ATM transactions, internet and telephone banking, secure payment systems, direct debits and foreign currency transfers
- credit cards, overdrafts and lines of credit
- Buy Now Pay Later arrangements
- consumer leases and hire purchase arrangements
- short-term finance such as payday lending
- home loans, including reverse mortgages
- personal loans such as car loans, holiday loans and debt consolidation loans
- personal investment loans and small business loans
- guarantees.

The types of issues and problems AFCA resolves include:

- incorrect, dishonoured or unauthorised transactions, or mistaken payments
- fees or charges that were incorrectly applied or calculated
- incorrect, misleading or inadequate information about a product or service
- a financial firm's failure to respond appropriately to a customer in financial difficulty
- decisions made by a financial firm, including whether a decision to lend was made responsibly
- a financial firm's failure to follow instructions
- privacy and confidentiality breaches
- inadequate service, including unreasonable delays or failure to assist a vulnerable customer.

AFCA received 42,261 banking and finance complaints in 2020–21, a 9.5% decrease in the number of complaints compared to last year. We attribute this decrease to positive changes made in the industry following the Financial Services Royal Commission, as well as a reduction in financial difficulty complaints due to COVID-19 repayment deferral arrangements and government support measures.

During the year, 44,258 banking and finance complaints were closed. Of the complaints closed, 24,388 complaints were closed at Registration and Referral, 11,779 were closed at Case Management, with 2,043 progressing through to the final Decision stage.

The average time taken to close banking and finance complaints was 81 days, with 32% closed between 0 to 30 days.

Most complaints were about credit cards (9,903), followed by home loans (6,400) and personal transaction accounts (5,758).

Complaints about electronic banking increased by 76%, with unauthorised transactions representing 28% of complaints, and mistaken internet payment accounting for 19%. This reflects an increase in online transactions and scams during the COVID-19 pandemic.

Complaints related to personal transaction accounts were up by 48%, with unauthorised transactions representing 29% of these complaints.

Overall, the most common issues complained about were unauthorised transactions (4,878), service quality (4,373) and default listings (3,750).



Case study

The complainants are Aboriginal Australians who grew up in a remote community in regional NSW. They were both educated to year 10 and had limited financial literacy. The complainants owned their home in a regional town, with an outstanding home loan balance of around \$230,000. They also had credit cards with credit limits totalling \$20,000.

In June 2007, the complainants approached the lender seeking to refinance their home loan balance, as well as their credit card balances (that were at their maximum credit limits). The lender obtained statements showing they had defaulted on their existing home loan repayments nine times in the five months before they made their refinance application with the lender. This included defaulting on their most recent repayment.

The lender approved the refinance and provided the complainants a top-up of \$14,711 in additional credit. The complainants used the additional credit to meet the first few months of loan repayments, but they fell into default again within six months.

The lender encouraged the complainants to draw down on their superannuation to meet their loan repayments.

Over the ensuing 14 years, the complainants paid \$121,595 from their superannuation towards the loan, as well as a further \$387,725 in other repayments, for a total of over \$509,000 in repayments. Despite these repayments, in 2021, the outstanding loan balance remained around \$260,000, which was the same as the starting loan balance in 2007, due to the default fees and interest that had been charged on the loan.

Findings and outcome

AFCA found the loan was an unjust transaction under section 76 of the National Credit Code because the lender should have been aware from the outset that the complainants could not afford to meet their loan repayments and were in financial hardship.

AFCA also found it was inappropriate for the lender to suggest that the complainants withdraw money from their superannuation to make their loan repayments, when it was clear they were in long-term financial hardship.

AFCA required the lender to waive all interest, fees and charges, except the interest the complainants would have paid on their pre-existing home loan and credit cards.

By reconstructing the home loan using historical interest rates, AFCA found that the complainants had made sufficient repayments to repay the entire loan in 2016.

The lender was required to refund \$128,445 in repayments the complainants had made since 2016.

This represented a difference in position of around \$400,000 compared with the position the complainants were in before they came to AFCA (debt waiver of over \$260,000, plus \$128,445 in compensation for overpayments).

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

Case study

In 2015, the complainant obtained a home loan of \$440,000 from the lender to purchase a property. The complainant subsequently fell behind with their loan repayments. The complainant said the lender did not lend responsibly when it provided the loan. They also said the loan was set up incorrectly and should have been in the name of their company, not in their own name.

Findings and outcome

AFCA determined that the lender had complied with its responsible lending obligations when it provided the loan. The lender made reasonable enquiries and undertook reasonable verification of the complainant's financial situation. As the complainant had recently commenced a new job, the lender sought confirmation from the complainant's employer of the terms of her employment, including that she was not subject to a probation period.

The lender also verified that an existing personal loan held by the complainant would be cleared, and that a recent loan application with another financial firm had not proceeded.

Based on the serviceability assessment undertaken by the lender, as well as AFCA's independent serviceability assessment, the loan was affordable and met the complainant's requirements and objectives.

AFCA determined that the lender had not made an error or misled the complainant by setting up the loan in the company's name. While the complainant had initially applied for a loan in the company name, this was related to the purchase of a different property. There was later email correspondence about the loan being taken out in the complainant's personal name and the documents (which the complainant reviewed and signed) made it clear the loan was to be in the complainant's own name.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

Scams

AFCA has experienced an increase in complaints involving unauthorised transactions and scams. It's not only the volume of complaints about scams that's increasing, but also the sums involved. Some complaints involved losses of over \$1 million through multiple transactions.

Scam activity has been exacerbated by the pandemic and is consistent with data collected by the Australian Competition and Consumer Commission (ACCC). The most common scams related to investments, romance, and payment redirection (also known as 'invoice hacking' or 'business email compromise'). However, the scam environment is ever-changing as technology evolves and scams mature, change and shift over time.

AFCA can only consider complaints about the conduct of financial firms that are our members, and in accordance with our Rules. In most cases, we are unable to consider complaints about the conduct of the scammer. It is usually confined to disputes about unauthorised transactions.

When considering complaints about scams, AFCA applies the laws and standards in force at the time of the complaint. AFCA's approach to scams is likely to be impacted by the outcome of ASIC's current review of the ePayments Code.

AFCA is proactively engaged with industry, consumer groups and the regulators in efforts to prevent scams.

AFCA has information for consumers at www.afca.org.au/scams.

Case study

In July and August 2019, the complainant made five internet banking transfers totalling \$60,000 to a cryptocurrency broker. The complainant said they fell for an investment scam and the bank should not have processed the transfers.

Findings and outcome

AFCA determined that the bank was not required to compensate the complainant for the lost funds because the complainant had authorised the disputed transfers. The bank had warned the complainant about the risks of dealing with the cryptocurrency broker and blocked their account. However, the complainant proceeded to make the transfers from different accounts, despite the bank's warning.

AFCA found that, while the bank had sought to recover the funds by sending recall requests to the recipient banks, it had unreasonably delayed doing so. However, the bank's delay had not caused the complainant to suffer loss. The complainant did not notify the bank of the scam until eight months after the transfers were made and it was likely that by that time, the funds had already been withdrawn by the scammer. AFCA awarded compensation of \$250 for the stress caused by the bank's delay in taking action.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.



General insurance complaints

Between 1 July 2020 and 30 June 2021

Complaints received

16,912 complaints received

47% resolved at
Registration and Referral stage

Top five general insurance complaints received by product¹

Product	Total
Motor vehicle – comprehensive	4,386
Home building	3,527
Travel	2,477
Home contents	1,079
Motor vehicle – uninsured third party	934

Top five general insurance complaints received by issue²

Issue	Total
Claim amount	3,161
Denial of claim – exclusion/condition	3,146
Delay in claim handling	3,126
Denial of claim	2,479
Service quality	1,164

Complaints closed

17,841 complaints closed³

Average time to close a complaint
87 days

Stage at which general insurance complaints closed

Stage	Total
At Registration	8,367
At Case Management	4,330
At Rules Review	1,350
Preliminary Assessment	1,669
Decision	2,125

Average time taken to close general insurance complaints

Time	Total
Closed 0–30 days	21%
Closed 31–60 days	30%
Closed 61–180 days	38%
Closed 181–365 days	10%
Closed greater than 365 days	1%

¹ One complaint can have multiple products.

² One complaint can have multiple issues.

³ This includes 4,898 complaints received before 1 July 2020, and 12,943 received from 1 July 2020 to 30 June 2021.

AFCA can consider complaints about the following general insurance products:

- consumer credit insurance
- home building
- home contents
- motor vehicle
- personal and domestic property (including pleasure crafts)
- residential strata title
- sickness and accident
- travel insurance
- business interruption.

The types of issues and problems AFCA resolves include:

- decisions a financial firm has made, such as denial of an insurance claim
- insurance premiums that were incorrectly applied or calculated
- information that wasn't disclosed about a product, or was misleading or incorrect
- if a complainant gave instructions and they weren't followed
- privacy and confidentiality breaches
- disputes over liability for a car accident or insurance excess
- denial of a travel insurance claim because of a pre-existing condition.

During the 2020–21 financial year, a total of 16,912 general insurance complaints were received by AFCA. This made up 24% of the total complaints received.

AFCA closed 17,841 general insurance complaints.

AFCA was pleased to see industry resolve many complaints early, with 8,367 complaints being closed at Registration and Referral.

There were 4,330 complaints closed at Case Management, with only 2,125 progressing through to the final Decision stage.

The average time taken to close these complaints was 87 days. The majority (64%) of complaints were closed within 90 days.

General insurers received the highest number of general insurance complaints (13,732), followed by complaints against underwriting agencies (2,100).

Most complaints received were about the claim amount (3,161), denial of claim – exclusion/condition (3,146), delay in claim handling (3,126).

AFCA once again received a number of complaints as a result of the COVID-19 pandemic (2,636), with travel insurance and business interruption insurance being the most common type of complaint. AFCA was involved in two business interruption test cases in 2020–21, which you can read about on page 43.

AFCA has been active in its engagement with both industry and consumer groups in tackling some important emerging issues in insurance. We continue to partner with the Insurance Council of Australia, industry and consumer groups in responding to the impact of natural disasters and the COVID-19 global pandemic.

For more information about AFCA's response to the COVID-19 pandemic, see page 77.

AFCA and test cases

Under the AFCA Rules, a financial firm must obtain AFCA's agreement to have a complaint treated as a test case.

AFCA cannot initiate a test case. One of the factors AFCA will consider before agreeing to allow a financial firm to treat a complaint as a test case is whether there are important issues of law to be decided.

The financial firm must meet AFCA's requirements, and must undertake to pay the complainant's legal costs incurred in the test case, including the costs of any appeal of the first decision.

AFCA does not provide any financial or legal support, or other resources for the running of a test case.

Once AFCA agrees to a test case, AFCA does not have any direct involvement in the running of the test case or any appeals. AFCA agreed to allow general insurers to commence two test cases involving the interpretation of business interruption insurance policies, which were the subject of disputes by small business owners before AFCA.

Test case 1: Business interruption insurance and the Quarantine Act

In October 2020, general insurers commenced a test case that was heard by the NSW Court of Appeal. The case considered the application of a common policy exclusion that referred to the repealed Quarantine Act 1908 (Cth).

The test case sought a decision from the court on whether a reference to a quarantinable disease under the Quarantine Act 1908, in business interruption cover policies issued to small businesses, should be construed as a reference to a listed human disease under the *Biosecurity Act 2015* (Cth). COVID-19 events could be excluded from the insurance cover held if the Quarantine Act 1908 applied.

On 18 November 2020, the Court found that policy references to the repealed Quarantine Act did not operate to exclude the two claims in the test case.

The insurers that were parties to the test case applied for special leave from the High Court of Australia to appeal the decision. On 25 June 2021, the High Court denied the application for special leave to appeal.

The outcome of this case means that insurers can't rely on references to the Quarantine Act to exclude business interruption claims arising from the impact of COVID-19.

Test case 2: Business interruption insurance – other policy terms

AFCA received a request from several insurers to agree to a second test case seeking guidance on the application of a range of common business interruption cover clauses to the COVID-19 pandemic. Insurers lodged proceedings in the Federal Court on 24 February 2021.

The aim of second test case is to provide guidance on common 'trigger' clauses, including those that relate to the effect of government orders restricting access on small business operations and the proximity of a disease outbreak to a small business.

The second test case is expected to conclude by the end of 2021.



Case study

The complainants were part-way through an overseas trip and were forced to abandon it in March 2020, due to COVID-19. They sought refunds from two online travel agents for their prepaid trip expenses, with no success. The complainants were consistently informed that the recovery of the funds from the airline was pending. They then lodged a claim for these unused travel costs from their travel insurer.

The insurer denied the claim and the complainants brought the matter to AFCA. The insurer later agreed to pay the claim, subject to receiving adequate proof of the complainants' loss.

The complainants also said that the handling of the claim by the insurer was poor.

Outcome and findings

AFCA found in favour of the complainants. AFCA determined that it was fair for the insurer to refund the unused travel costs to the complainants because there was:

- no dispute as to the loss
- no promise of payment or offer of a travel credit from the travel agent
- no reasonable likelihood of recovery 14 months after the loss was incurred.

The AFCA determination was that the insurer must refund the complainants' loss of \$3,135.41, and pay compensation of \$1,000 for non-financial loss. AFCA found that the insurer could ask the complainants to agree to provide any refund received from the travel providers to the insurer, and to agree that the insurer could assume the complainants' rights to seek a refund from the travel provider. The insurer could require the complainants to sign a document to put this into effect.

The insurer should have paid the claim from the outset, even if it were possible that the complainants could have been reimbursed by the travel agent eventually. By the time the matter came to AFCA it was 14 months from the date of loss and the fair outcome was for the insurer to pay the claim, rather than have the complainants wait indefinitely. The insurer had the ability to then pursue recovery of the costs from the travel provider.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

Case study

Due to the COVID-19 pandemic, a landlord's tenants were unable to pay the rent. The landlord agreed to a reduced rental amount.

The landlord held landlord contents insurance with additional cover for 'Loss of rent – tenant default'. The landlord lodged a claim for the loss of rent under the landlord policy.

The insurer said that given the landlord and tenants came to a negotiated agreement, the tenants did not breach the rental agreement and a claim for loss of rent could not be made.

The complainant disputed this and said they complied with the state and federal government directives to negotiate rental agreements for affected tenants and acted in good faith to mitigate their loss.

Outcome and findings

The complainant's policy was a landlord contents policy. It included additional cover for 'loss of rent – tenant default'. A claim for tenant default could be made independently of a claim for loss or damage to contents caused by one of the listed insured events.

The policy only provided cover when the tenant stopped paying the weekly rental amount during the term of the written rental agreement, or periodic rental agreement, but does not leave.

In this instance, while the parties varied the rental amount due to the financial impact of the COVID-19 restrictions, the tenants were not released from their financial obligations and the rental agreement was not terminated. Rather, the parties agreed to reduce the rent payable in accordance with the terms of the original rental agreement, and the tenant met the agreed obligations until the end of the lease.

The intent of the policy was to cover default in specific circumstances, none of which were applicable in this instance.

While AFCA appreciated the complainant's situation, we found it was not fair for the insurer to pay a claim that did not meet the clear and unambiguous circumstances prescribed in the policy.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.



Superannuation complaints

Between 1 July 2020 and 30 June 2021

Complaints received

5,249 complaints received

33% resolved at
Registration and Referral stage

Top five superannuation complaints received by product¹

Product	Total
Superannuation account	2,717
Total and Permanent Disability	978
Income protection	833
Death benefit	453
Pension	52

Top five superannuation complaints received by issue²

Issue	Total
Delay in claim handling	856
Denial of claim	517
Service quality	517
Account administration error	487
Incorrect fees/costs	419

Complaints closed

6,214 complaints closed³

Average time to close a complaint
116 days

Stage at which superannuation complaints closed

Stage	Total
At Registration	2,052
At Case Management	2,466
At Rules Review	168
Preliminary Assessment	909
Decision	619

Average time taken to close superannuation complaints⁴

Time	Total
Closed 0–30 days	12%
Closed 31–60 days	22%
Closed 61–180 days	49%
Closed 181–365 days	12%
Closed greater than 365 days	4%

¹ One complaint can have multiple products.

² One complaint can have multiple issues.

³ This includes 2,403 complaints received before 1 July 2020, and 3,811 received from 1 July 2020 to 30 June 2021.

⁴ Percentages have been rounded and, as a result, do not total to 100%.

AFCA can consider complaints about the following superannuation products:

- superannuation pensions and annuities
- corporate, industry and retail super funds
- some public sector schemes
- self-managed super funds (handled under our investments and advice jurisdiction)
- approved deposit funds
- retirement savings accounts
- small APRA funds.

The types of issues and problems AFCA resolves include:

- advice given about a superannuation product
- fees or costs that were incorrectly charged or calculated
- misleading or incorrect information – for example, if benefit statements are incorrect
- information not being provided about a product, including fees or costs
- decisions a superannuation provider has made, including about an application for insurance held through superannuation
- decisions about a disability claim, including where the claim involves insurance cover held through the superannuation fund
- payment of a death benefit
- an unreasonable delay in paying a benefit
- if a complainant gave instructions and they weren't followed
- transactions that were incorrect or unauthorised.

AFCA received 5,249 superannuation complaints during the 2020–21 financial year, which was around 7% of the total complaints received by AFCA for the year.

This is a 31% decrease in the number of superannuation complaints received during 2019–20, when AFCA received 7,556 super complaints.

Of the super complaints received, 2,717 were about superannuation accounts. These complaints include disputes about the cancellations of insurance policies where a complainant was unaware their policy had been cancelled. There is a range of reasons for this, including the impact of the Protecting Your Super legislation and the Putting Members' Interests First legislation, and there being insufficient funds in the member's account to pay premiums.

The second most common super product complained about in 2020–21 was Total and Permanent Disability, with 978 complaints. These complaints are often complex and involve detailed medical records and other sensitive information. In determining these disputes, AFCA often convenes a panel composed of an ombudsman, an industry representative and a consumer representative. AFCA may also seek the expertise of a specialist medical professional to assist in the assessment of competing medical reports.

The most common issues for super complaints in 2020–21 were delays in claim handling (856 complaints). These complaints frequently relate to a lack of communication from the fund. To assist all parties in their understanding of how AFCA resolves these types of disputes, we recently issued an approach document outlining how AFCA will assess complaints that raise delays in claim handling.

AFCA also received 419 superannuation complaints about incorrect fees and costs. AFCA is unable to consider complaints about fees and costs being too high, but we do consider complaints about fees being applied incorrectly, or disclosure about fees and costs being inadequate or misleading.

This year, 6,214 superannuation complaints were closed, including 2,403 received before 1 July 2020.

Of the superannuation complaints closed, 2,052 were closed at Registration and Referral, 2,466 were closed at Case Management, and 619 progressed through to a final Decision.

Superannuation complaints often take longer to resolve than other complaints because of their complexity, and funds and trustees have up to 90 days to resolve the complaint at the Registration and Referral stage, compared to 45 days for most other types of complaints.

Case study

The complainant held total and permanent disability (TPD) cover through their superannuation account. In October 2014, the complainant's account had insufficient funds to pay the insurance premiums. The relevant insurance policy said that a member's TPD cover would cease the day after premiums were unpaid for 60 days. The premiums remained unpaid for that period and cover duly ceased.

The complainant sought to make a claim for a TPD benefit, which was declined as the trustee said they did not have cover. The complainant said the trustee did not notify them about the cancellation of their cover. The trustee provided copies of two letters sent to the complainant, one warning that cover would cease if specified steps were not taken to maintain cover, and one saying that cover had ceased. The trustee also provided a member statement sent to the complainant for the year ended 30 June 2016, indicating that there was no insurance on the account. The ombudsman accepted that the trustee had notified the complainant appropriately.

Findings and outcome

The determination affirmed the decisions of the trustee and the insurer not to compensate the complainant. This was because the complainant had not ceased working until after the cessation of her TPD cover, and the trustee had adequately notified the complainant about the cessation of her cover.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

Case study

The complainant had TPD insurance through their superannuation account. They lodged a TPD claim in November 2015. The insurer declined the claim in September 2016, saying the medical evidence supported the complainant would be able to return to work after back surgery. In July 2017, the complainant had the surgery, but their condition deteriorated. The complainant resubmitted their claim in May 2018, and it was accepted in June 2018.

The complainant sought interest on the insured benefit, saying the claim should have been accepted in February 2016, as sufficient medical evidence had been provided. They also sought payment of legal costs.

Findings and outcome

The determination affirmed the decision of the trustee and the insurer not to pay interest and legal costs. The ombudsman found the medical evidence was not conclusive in 2016, that the complainant met the TPD definition in the policy. Once further medical information was provided in 2018, as well as a full work history for the complainant, the claim was promptly accepted and paid. Further, it was not reasonable for the trustee to pay the complainant's legal costs given that he was not successful in demonstrating an entitlement to interest.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

“My case manager was in contact with me every single step of the way to give me updates and clarify everything that has happened, what it means, what is currently happening and what will happen moving forward.”

- Feedback from consumers



Investments and advice complaints

Between 1 July 2020 and 30 June 2021

Complaints received

3,888 complaints received

33% resolved at Registration and Referral stage

Top five investments and advice complaints received by product ¹

Product	Total
Shares	950
Foreign exchange	431
Contracts for difference	417
Superannuation fund	302
Self-managed superannuation fund	272

Top five investments and advice complaints received by issue ²

Issue	Total
Service quality	674
Inappropriate advice	534
Failure to act in client's best interests	525
Incorrect fees/costs	331
Failure to follow instructions/agreement	229

Complaints closed

3,465 complaints closed³

Average time to close a complaint
114 days

Stage at which investments and advice complaints closed

Stage	Total
At Registration	1,148
At Case Management	938
At Rules Review	584
Preliminary Assessment	333
Decision	462

Average time taken to close investments and advice complaints ⁴

Time	Total
Closed 0–30 days	19%
Closed 31–60 days	22%
Closed 61–180 days	39%
Closed 181–365 days	14%
Closed greater than 365 days	5%

¹ One complaint can have multiple products.

² One complaint can have multiple issues.

³ This includes 1,178 complaints received before 1 July 2020, and 2,287 received from 1 July 2020 to 30 June 2021.

⁴ Percentages have been rounded and, as a result, do not total to 100%.

AFCA can consider complaints about the following investments and advice products:

- derivatives
- financial product advice and services
- managed investment schemes
- securities
- self-managed superannuation funds.

The types of issues and problems AFCA can resolve include:

- advice that wasn't in the complainant's best interests
- incorrectly applied fees, commissions or other charges
- misleading product information
- failure to correctly follow a complainant's instructions
- unauthorised transactions.

Investments and advice received a total of 3,888 complaints in 2020–21, which was 6% of the total complaints received by AFCA.

There were 3,465 investments and advice complaints closed during the year.

Of the complaints closed, 33% were resolved at Registration and Referral, 27% were resolved at Case Management and only 13% proceeded through to Decision.

Over half of these complaints were closed within 90 days. However, the average time to resolve a complaint was 114 days, which reflects the complex nature of cases in the investments and advice space.

The most complained about financial firms were financial advisers/planners (748), followed by foreign exchange dealers (572) and derivatives dealers (469). Although, it should be noted that, overall, complaints against financial advisers/planners only made up approximately 1% of the total complaints received by AFCA.

Shares (950), foreign exchange (431) and contracts for difference (417) were the most complained about products.

The top issues raised were service quality (674), inappropriate advice (534) and failure to act in the client's best interests (525). Advice that is inappropriate, or not in the client's best interests, is, by far, the biggest issue in the investments and advice area.

Complaints about cryptocurrency

While we have seen an increased number of cryptocurrency disputes from previous years, the number is still a small proportion of investments and advice disputes. This includes complaints about funds being lost, due to transfers from wallet providers to unregulated third parties; wallet providers not clearly disclosing the real costs of conversion from one cryptocurrency to another; and consumers being confused about whether they are investing in a cryptocurrency or a derivative.

Additionally, AFCA is only able to consider complaints against financial firms that are members of AFCA. At present, cryptocurrency or digital asset providers are generally not required to hold an AFSL or Australian Credit Licence (ACL), or otherwise required by law to be an AFCA member, in relation to these products. In recent times, a small number of these providers have, however, become voluntary members of AFCA or have joined as a condition of their voluntary industry code.

AFCA has a significant number of investments and advice complaints that are paused, pending legislation to establish a Compensation Scheme of Last Resort. This is due to the insolvency of the financial firm and/or the failure to pay compensation in accordance with an AFCA determination. There were also a significant number of cases delayed during the year while AFCA reviewed its jurisdiction following the *DH Flinders Pty Limited v Australian Financial Complaints Authority decision*. See page 25 for more information about this judgment.

“The case manager was very efficient, understood my issue well and helped to achieve a favourable result. The determination was well reasoned, which considered fairness and a reasonable expectation of what should have been done.”

- Feedback from consumers

Case study

The financial firm is part of a group of companies that provides financial management services (the group). The complainant first became a client of the group in, or around, 2002 and remained so until December 2017.

Over the course of the relationship, various personnel from the group provided the complainant with financial and tax advice. Mr R and Mr K were authorised representatives of the financial firm. Mr F was the complainant's accountant and worked for another company within the group. Mr T was a mortgage broker who also worked for another company within the group.

The complainant said Mr R 'sold' him an inappropriate property investment strategy. The complainant said Mr R (and then Mr K who took over from Mr R) should have warned them of the risks of the strategy. The complainant also said the financial firm had a conflict of interest in recommending two lines of credit for the investment properties.

The financial firm said that while Mr R would have most likely discussed wealth creation strategies with the complainant, if a client of the group decides to invest in direct property, the group is not licensed to advise on property selection. Rather, its advice is limited to how to finance the investment in a tax-effective manner and undertake an initial assessment of cashflow. The firm said it has no obligation to advise on the risks of any such strategy in these circumstances.

Findings and outcome

AFCA concluded that while Mr R most likely did discuss wealth creation strategies with the complainant, which included property investment, there was no evidence that either Mr R or Mr K made a specific strategy or property investment recommendation to the complainant, or otherwise induced him to purchase the properties. It was, ultimately, the complainant's decision to invest in the properties following discussions with his neighbour who was a property developer selling house and land packages.

Mr K's loan advice to maximise deductible debt and minimise non-deductible debt was, and remains, a tax-effective strategy. The Statements of Advice provided to the complainant over the course of the relationship clearly explained the limitations on the services the financial firm could provide, and did not require Mr K or Mr R to advise the complainant on the risks of the strategy. Due to these findings, AFCA found in favour of the financial firms.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.



Case study

The complainant was the administrator of the estate of her late husband, Mr P. Before he died, Mr P was a client of the financial firm. In June 2018, an adviser from the financial firm recommended Mr P rollover his existing superannuation and replace his life and \$500,000 total and permanent disability (TPD) cover within a new superannuation fund. The insurer declined the new insurance application due to Mr P's existing medical conditions and Mr P tragically died in an accident on 29 April 2019, without insurance.

The complainant said that the adviser should have recommended Mr P retain his existing insurance cover while new cover was arranged. The financial firm said Mr P was aware that the insurer had declined his new insurance application, but decided to proceed with the rollover knowing his existing insurance would be cancelled in any event. This was on the basis of the financial firm's advice that he could apply for insurance again in two years. The financial firm argued that it was not required to advise the complainant to retain the insurance, in circumstances where he had an opportunity to apply for cover again in future.

Findings and outcome

This matter was determined by an AFCA panel, composed of an ombudsman, a financial planner and a consumer representative. The panel found that the adviser breached their best interests duty to Mr P, by not recommending he maintain his previous insurance until the new insurance was underwritten.

While the panel accepted that the complainant was aware his application for new insurance had been declined, it found the adviser failed to advise him of the significance of this decision. The panel assessed that in the circumstances of this case, the financial firm was required to recommend the existing cover be retained until new cover was placed.

The panel found there was a real risk that the late Mr P may have had difficulty obtaining insurance in the future and, if he did, he may have faced other changes like premium loadings relating to pre-existing conditions. In allowing the existing insurance to lapse without warning about the risks of doing so, and without undertaking further investigations into the late Mr P's health, the adviser failed to adequately advise the late Mr P of the significance of his insurance being allowed to lapse.

The panel awarded the complainant the benefit amount under the policy less premiums, totalling \$457,759.12.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.



Life insurance complaints

Between 1 July 2020 and 30 June 2021

Complaints received

1,623 complaints received

32% resolved at
Registration and Referral stage

Top five life insurance complaints received by product¹

Product	Total
Income protection	575
Term life	290
Total and permanent disability	184
Funeral plans	169
Trauma	115

Top five life insurance complaints received by issue²

Issue	Total
Incorrect premiums	213
Denial of claim	212
Delay in claim handling	172
Service quality	141
Misleading product/service information	109

Complaints closed

1,595 complaints closed³

Average time to close a complaint
128 days

Stage at which life insurance complaints closed

Stage	Total
At Registration	513
At Case Management	473
At Rules Review	104
Preliminary Assessment	225
Decision	280

Average time taken to close life insurance complaints

Time	Total
Closed 0–30 days	10%
Closed 31–60 days	23%
Closed 61–180 days	45%
Closed 181–365 days	18%
Closed greater than 365 days	5%

¹ One complaint can have multiple products.

² One complaint can have multiple issues.

³ This includes 562 complaints received before 1 July 2020, and 1,033 received from 1 July 2020 to 30 June 2021.

AFCA can consider complaints about the following life insurance products:

- consumer credit insurance
- income protection
- annuities
- endowments
- funeral plans
- scholarship funds
- term life policies
- total and permanent disability policies
- trauma policies
- accidental death
- whole of life policies.

The types of issues and problems AFCA resolves include:

- premium increases where there is an allegation of non-disclosure
- misrepresentation or incorrect application of insurance premiums
- product information that wasn't disclosed, or was misleading or incorrect
- decisions a financial firm has made, such as denial of an insurance claim
- complaints about an insurer's decision to avoid or vary a policy on the basis of non-disclosure or misrepresentation
- complainant's instructions that weren't followed
- privacy and confidentiality breaches.

Between 1 July 2020 and 30 June 2021, AFCA received 1,623 life insurance complaints, making up 2% of the total complaints received. This is consistent with both the 2019–20 and 2018–19 financial years.

During 2020–21, there were 1,595 life insurance complaints closed

Of the life insurance complaints closed, 513 were closed at Registration and Referral, 473 were closed at Case Management, with 280 progressing through to the final Decision stage. The average time taken to close these complaints was 128 days, reflecting complexity in denial of claims matters and complaints about the calculation of income protection benefits, although a third of these complaints were closed within 60 days.

The most common issues for life insurance complaints during 2020–21 were incorrect premiums (213) and denial of claims (212). This was followed by delays in claim handling (172), service quality (141) and misleading product/service information (109).

Complaints about incorrect premiums were commonly about the rate at which stepped premiums increase over time. These complaints are often exacerbated by financial firms not clearly explaining how stepped premium curves will affect future premium rates. AFCA encourages firms to provide clear and effective premium rate tables, or premium projections, to consumers at the point of sale or during renewal periods to help reduce the number of premium disputes.

AFCA continues to receive many complaints about the calculation of income protection benefits, especially for business owners and the self-employed. Around a third of life insurance complaints (575 complaints) were about income protection policies. AFCA understands the difficulties presented by complainants' corporate and trust structures, and the complexities of business accounting.

Case study

The complainant said two men knocked on his door and told him they were representing an Aboriginal funeral fund.

The complainant noticed their van had Aboriginal designs and colours. The two agents said they were Aboriginal men.

The agents provided the complainant with a brief, verbal explanation about the funeral fund, with information about fortnightly payments that could be direct debited from their Centrelink payments.

The agents asked the complainant to sign 'some papers', which he did.

The complainant said the agents did not tell him about any other aspects of the funeral plan, including that contributions would likely exceed the benefit amount, that family members would not receive the entire benefit, and it would only cover the funeral cost, among other matters.

The complainant's plan was cancelled in January 2019 because of non-payment of premiums.

The complainant sought a full refund of premiums paid in relation to the funeral plan, and said that representatives of the financial firm had engaged in misleading and deceptive conduct, unconscionable conduct and breached their duty of utmost good faith.

Findings and outcome

The complaint was considered by a panel. AFCA uses expert panels to make determinations about particularly complex complaints we receive. Panel members are appointed by the AFCA Board based on their objectivity, qualifications, experience and relevant personal qualities.

The panel found that the financial firm had sold the plan, unsolicited and by misleading a person who was vulnerable to mis-selling in these circumstances.

It was found by the panel that the complainant was misled by the financial firm's use of words, colours and imagery, which were usually associated with Aboriginal and/or Torres Islander peoples. He was deceived by such images into believing what he was told by the agents. In fact, the financial firm was not an Aboriginal organisation and it did not represent community. It was a private company set up solely for the benefit of its shareholder.

The panel found the financial firm engaged in egregious, misleading and deceptive conduct in selling the plan to the complainant in these circumstances.

The financial firm was ordered by the panel to refund the complainant the premiums paid, with interest.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.



Case study

The complainant was a self-employed mechanic working as a sole trader. The complainant broke his arm in late 2017. He made an income protection claim, stating he was totally disabled.

The complainant also had hernia surgery in March 2019. The insurer paid total disability benefits until May 2019.

The insurer said that the complainant was no longer disabled by his injury. The insurer made this assessment through surveillance that showed the complainant working on cars and financial records, which did not show a significant change to the income of his business.

The complainant said that his partner was doing the work in the business, that the business made money selling parts and assets, rather than mechanical work, and the insurer should continue to pay him benefits.

Findings and outcome

AFCA reviewed the surveillance footage and saw the complainant working unassisted on a vehicle for most of the day.

The complainant's tax returns were also reviewed by AFCA, and they showed income that was broadly consistent both before and after he claimed to have been unable to work.

The complainant's explanation that his partner took over their work as she was not a qualified mechanic was not accepted by AFCA. She also had other paid employment and did not appear to be doing any mechanical work in the surveillance video obtained by the insurer.

AFCA found the complainant was not totally disabled for work in the period from June 2019 to December 2019, by reason of his hernia or left arm condition and the insurer was not required to pay total disability benefits for that period.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

Financial difficulty complaints

Demographics of people in financial difficulty

Between 1 July 2020 and 30 June 2021

32% of complainants were represented by a friend or family member

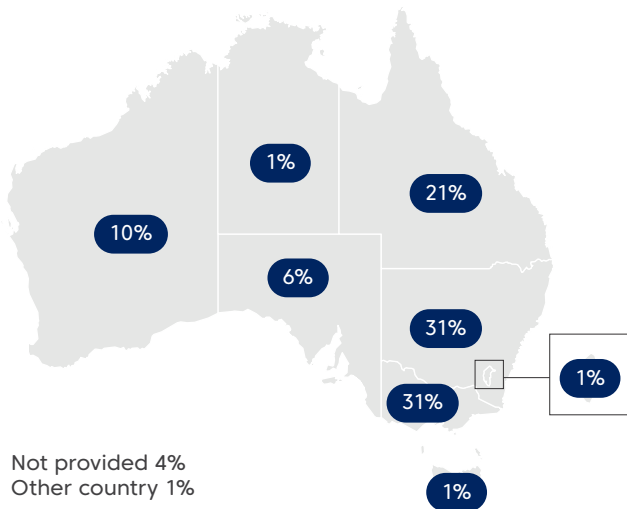
4% were represented by a financial counsellor

80% of complainants lodged online

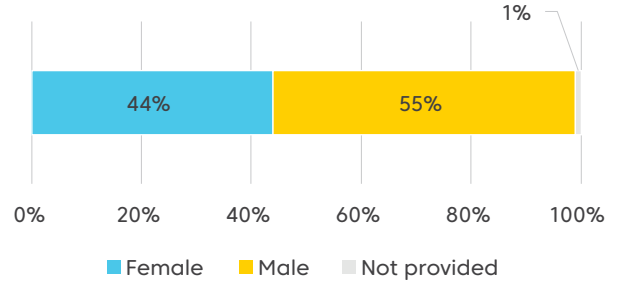
1% of complainants requested interpreting language services

4% of complainants identified as Aboriginal Australian and/or Torres Strait Islander

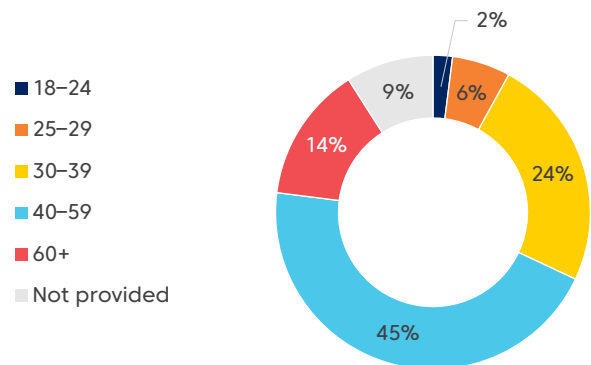
Received complaints by state and territory ¹



Received complaints by gender of complainant



Received complaints by age of complainant



¹ One complaint can have multiple complainants from different states/territories.

Financial difficulty complaints

Between 1 July 2020 and 30 June 2021

Complaints received

5,184 complaints received

45% resolved at
Registration and Referral stage

Top five financial difficulty complaints received by product¹

Product	Total
Personal loans	1,436
Credit cards	1,285
Home loans	1,209
Business loans	411
Hire purchase/lease	154

Top five financial difficulty complaints received by issue²

Issue	Total
Financial firm failure to respond to request for assistance	2,740
Decline of financial difficulty request	1,220
Request to suspend enforcement proceedings	341
Default notice	206
Default judgment obtained	122

Complaints closed

5,433 complaints closed³

Average time to close a complaint
86 days

Stage at which financial difficulty complaints closed

Stage	Total
At Registration	2,463
At Case Management	1,997
At Rules Review	364
Preliminary Assessment	286
Decision	323

Average time taken to close financial difficulty complaints

Time	Total
Closed 0–30 days	26%
Closed 31–60 days	32%
Closed 61–180 days	32%
Closed 181–365 days	7%
Closed greater than 365 days	3%

¹ One complaint can have multiple products.

² One complaint can have multiple issues.

³ This includes 1,039 complaints received before 1 July 2020, and 4,394 received from 1 July 2020 to 30 June 2021.

About financial difficulty

Financial difficulty is when an individual or small business is in a situation where they are unable to meet their repayment obligations.

Sickness, unemployment, over-commitment, business downturn and natural disasters are some of the disruptive events that can cause financial difficulty.

Given the immediacy of the situation, and the stress involved for the consumer or small business, financial difficulty complaints often have an urgency beyond other types of financial disputes. To ensure these complaints are dealt with in an efficient, timely and fair manner, AFCA uses a streamlined process for financial difficulty disputes.

The types of issues AFCA receives complaints about include a financial firm:

- failing to respond or responding inappropriately to a financial difficulty request
- issuing default notices when a complainant is experiencing financial difficulty
- continuing action against a complainant to recover a debt after they have made a financial difficulty request
- declining requests for assistance in repaying a default court judgment (which AFCA can consider in some situations only).

Government support, business relief measures and a steady economy, following the early period of the COVID-19 pandemic, appears to have had a positive effect on financial difficulty complaint levels in 2020–21. This year, AFCA received 5,184 financial difficulty complaints, a decrease of almost 40% compared to the 2019–20 financial year.

Of the 2020–21 complaints, personal loans (1,436), credit cards (1,285) and home loans (1,209) were the most complained about product types. AFCA also received 411 financial difficulty complaints about business loans.

As in 2019–20, the predominant issue was financial firms failing to respond to requests for assistance, with 2,740 complaints. The second most common issue was financial firms declining financial difficulty requests with 1,220 complaints.

Due to the sensitivity and urgency of financial difficulty complaints, we encourage financial firms to negotiate a resolution early in our dispute resolution process. The financial difficulty team held 738 conciliations during the year, with 328 of these complaints reaching a resolution at this stage. Many other matters that didn't resolve at the conciliation, did resolve shortly afterwards.

AFCA closed 5,433 financial difficulty complaints in 2020–21. Of these complaints, 74% (4,002) were resolved within 90 days. Nearly half (45%) of financial difficulty complaints were resolved at the Registration and Referral stage when AFCA refers the dispute back to the financial firm.

Case study

The complainant had a home loan facility and two transaction accounts with the financial firm. The complainant ceased work due to severe mental health issues and made an application under their Income Protection Insurance Policy. The complaint was primarily about whether the financial firm complied with its financial difficulty obligations in relation to her loan accounts.

Findings and outcome

A financial firm has obligations under the National Credit Code and industry codes of practice to assist its customers in financial hardship.

A customer does not need to explicitly request hardship assistance. The financial firm's obligations arise when the customer gives the financial firm written or oral notice that they will be unable to meet their contractual obligations.

After extensive discussions with the parties, an AFCA case manager provided the parties with a recommendation on the issues in dispute. The complainant was unwell and was unable to accept the recommendation.

The recommendation found that the financial firm breached its obligations under the National Credit Code, as well as its commitments under the applicable industry code of practice because:

- the financial firm was made aware on two occasions that the complainant was experiencing financial difficulty and severe mental health issues

- the firm did not take reasonable steps to inform the complainant of her right to request hardship assistance or request information, so it could assess and consider the complainant's financial position and/or alternate options
- it was inappropriate for the financial firm to not engage with the complainant until they had acknowledged receipt of legal proceedings.

The financial firm reconsidered its position given the complainant's mental health issues and financial circumstances. The financial firm agreed to waive the significant loan arrears and reduce the interest rate on the loan.

AFCA issued a determination endorsing the offer made by the firm. After the determination was issued, the complainant requested details of the offer as well as an apology. AFCA facilitated finalisation of the matter based on the offer made and secured a written apology from the firm.

During the handling of the complaint, the complainant's insurance claim was accepted. After resolution of the complainant's loan arrears, she was able to meet her ongoing payments.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

Small business complaints

Between 1 July 2020 and 30 June 2021

Complaints received

3,562 complaints received

27% resolved at
Registration and Referral stage

Top five small business complaints received by product ¹

Product	Total
Business loans	1,419
Business transaction accounts	641
Commercial property insurance	230
Business credit card	192
Loss of profits/business interruption insurance	170

Top five small business complaints received by issue ²

Issue	Total
Financial firm failure to respond to request for assistance	326
Service quality	300
Denial of claim – exclusion/ condition	227
Default listing	167
Decline of Financial Difficulty Request	159

Complaints closed

4,712 complaints closed ³

Average time to close a complaint
244 days ⁴

Stage at which small business complaints closed

Stage	Total
At Registration	1,250
At Case Management	2,030
At Rules Review	568
Preliminary Assessment	342
Decision	522

Average time taken to close small business complaints ⁵

Time	Total
Closed 0–30 days	13%
Closed 31–60 days	19%
Closed 61–180 days	32%
Closed 181–365 days	10%
Closed greater than 365 days	25%

¹ One complaint can have multiple products.

² One complaint can have multiple issues.

³ This includes 2,154 complaints received before 1 July 2020, and 2,558 received from 1 July 2020 to 30 June 2021.

⁴ The average time for a complaint to be closed was significantly inflated by a batch of almost 1,000 complex complaints arising from the collapse of a consumer leasing scheme. The bulk of these complaints were resolved by agreement in late 2020. Excluding these batch complaints, the average time for a complaint to close was 122 days.

⁵ Percentages have been rounded and, as a result, do not total to 100%.

About AFCA's small business jurisdiction

Under the AFCA Rules, a small business is defined as an organisation with fewer than 100 employees.

This can be a partnership, incorporated trustee or a company (whether a primary production business or otherwise).

We also consider complaints from not-for-profit organisations, or clubs that are not registered charities, if they carry on a business and have less than 100 employees.

If you are a registered charity, we can consider your complaint regardless of how many people you employ and whether or not you carry on a business.

AFCA cannot consider some small business loan complaints received after 25 April 2020, if they arise from COVID-19 relief measures. The AFCA Rules were amended following the issue of a notifiable instrument made by the Australian Government Treasurer on 24 April 2020.

The AFCA Rules now:

- limit the matters AFCA may take into account when considering a complaint about a loan provided under the Coronavirus SME Guarantee Scheme. The scheme is a Commonwealth Government initiative to provide small- and medium- sized businesses with access to working capital to help them get through the impact of COVID-19
- require AFCA to exclude complaints about repayment deferrals provided to small business borrowers for existing loans where the deferral is provided between 25 April 2020 and 24 April 2021.

From 1 July 2020 to 30 June 2021, we received 3,562 complaints from small businesses.

During the year 4,712 small business complaints were closed, including 2,154 received before 1 July 2020.

The most complained about product was business loans (1,419), followed by business transaction accounts (641) and commercial property (230).

Of the complaints AFCA closed, 27% (1,250) were resolved at Registration and Referral, while more than half (2,030) complaints were resolved at Case Management. Around one in 10 small business complaints (11%) reached the Decision stage.

The average time of 244 days for a complaint to be closed was significantly inflated by a batch of almost 1,000 complex complaints arising from the collapse of a consumer leasing scheme. The bulk of these complaints were resolved by agreement in late 2020. Excluding these batch complaints, the average time for a complaint to close was 122 days.

AFCA considered claims about a range of issues from small businesses including claims about inappropriate lending, guarantees, misleading conduct and financial difficulty. AFCA also considered complaints about lease equipment finance for small businesses and consumers, although a number of these complaints were primarily about the conduct of the underlying asset or asset provider that AFCA is unable to consider.

AFCA has two dedicated teams for small business complaints assisting in banking and finance and a number of ombudsmen providing their expertise.

Specialists within other product areas in AFCA also deal with small business complaints such as insurance, and investments and advice.



Case study

A bank provided a company with a business loan of \$250,000 to purchase a food franchise business. The bank provided extra funding in the following years with loan increases of \$50,000 and \$100,000. The directors of the company provided guarantees to secure the business loan.

The business failed, and the company went into liquidation before being de-registered. The guarantors lodged a complaint saying the bank should never have provided the loan and increases because the financial projections underpinning the bank's approval were unattainable and the bank should have conducted due diligence on the business proposal.

Findings and outcome

The AFCA investigation found that the bank assessed the overall business proposal with due care and skill and reasonably considered the initial loan could be repaid by the borrower in due course from available resources. The information the directors supplied to the bank for the original loan showed the loan was affordable and the directors had the capacity to manage the business.

However, AFCA found the bank did not act appropriately in approving the increases of \$50,000 and \$100,000, as it did not properly consider the borrower's financial position and ability to repay at the time of each increase. This was in circumstances where the company had disclosed unpaid tax liabilities to the bank, and a review of the company's loan facility and transaction account held with the bank showed:

- the company was missing repayments to the loan and became evasive about its financial position
- the average monthly deposits into the transaction account were deteriorating.

On the available information, there were sufficient warning signs that the credit risk of the borrower was increasing. However, the bank provided the loan increases without further enquiry.

AFCA decided that a diligent and prudent banker should have appreciated that loan increases were not an appropriate solution for the borrower, without fully understanding the financial position of the business. If the bank had conducted further enquiries, it would not have provided the loan increases.

AFCA decided the bank could rely on the guarantees for the initial loan amount plus interest, but should release the directors from liability under their guarantees in relation to the loan increases and any relevant interest.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

Complaints lodged by consumer advocates

Between 1 July 2020 and 30 June 2021

Consumer advocates play an important role at AFCA, representing people throughout their complaint (at no cost), as well as providing referrals for individuals who choose to self-advocate.

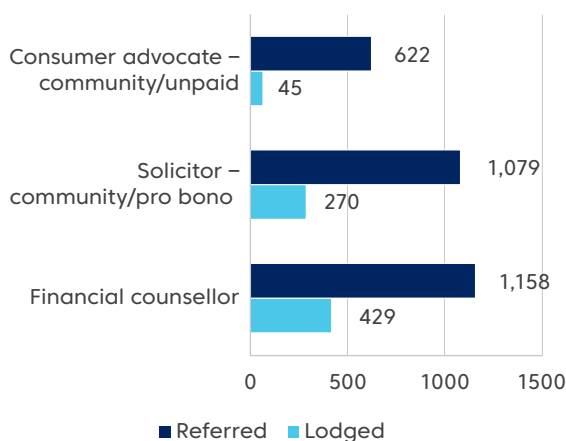
Referrals from our trusted community stakeholders provide a vital pathway for people who may be experiencing difficult circumstances, and who may not have been aware of our service. There were 2,859 complaints referred to AFCA by consumer advocates in 2020–21.

There were 744 complaints lodged by consumer advocates in 2020–21, with almost 60% submitted by financial counsellors.

744 complaints lodged by consumer advocates

Almost **60%** of complaints submitted by financial counsellors

Breakdown of complaints lodged and referred to AFCA by consumer advocates



Top five complaints lodged by consumer advocates by product¹

Issue	Total
Personal loans	166
Credit cards	110
Funeral plans	100
Home loans	92
Home building	32

Top five complaints lodged by consumer advocates by issue²

Issue	Total
Responsible lending	127
Financial firm failure to respond to request for assistance	111
Misleading product/service information	53
Decline of financial difficulty request	49
Service quality	37

Stage at which complaints lodged by consumer advocates closed³

Stage	Total
At Registration	48%
At Case Management	32%
At Rules Review	6%
Preliminary Assessment	7%
Decision	6%

532 complaints closed

¹ One complaint can have multiple products.

² One complaint can have multiple issues.

³ Percentages have been rounded and, as a result, do not total to 100%.

Complaints lodged by financial counsellors

Between 1 July 2020 and 30 June 2021

429 complaints lodged by financial counsellors

52% resolved at Registration and Referral stage

55% of complaints were lodged by financial counsellors from ten organisations:

- The Salvation Army Moneycare
- Anglicare Victoria
- Good Shepherd Australia New Zealand
- Child and Family Services (CAFS)
- Indigenous Consumer Assistance Network (ICAN)
- St Vincent de Paul Society (WA) Inc
- Uniting Vic/Tas
- Uniting Communities
- Anglicare Tasmania
- Anglicare WA

Top five complaints lodged by financial counsellors by product ¹

Issue	Total
Personal loans	122
Credit cards	93
Home loans	63
Home building	21
Hire purchase/lease	20

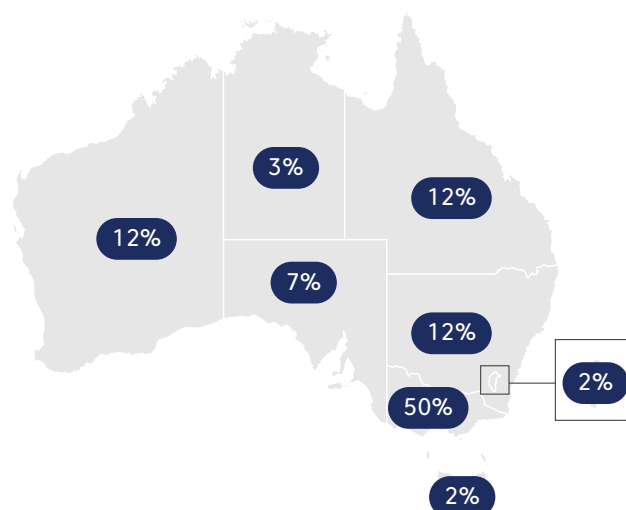
Top five complaints lodged by financial counsellors by issue ²

Issue	Total
Financial firm failure to respond to request for assistance	104
Responsible lending	84
Decline of financial difficulty request	44
Service quality	18
Claim amount	15

Stage at which complaints closed ³

Stage	Total
At Registration	52%
At Case Management	35%
At Rules Review	5%
Preliminary Assessment	5%
Decision	4%

Geographic spread of complaints lodged by financial counsellors



359 complaints closed

¹ One complaint can have multiple products.

² One complaint can have multiple issues.

³ Percentages have been rounded and, as a result, do not total to 100%.

Legacy complaints

In 2019, following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, the Commonwealth Government expanded AFCA's jurisdiction to hear financial complaints related to conduct going back to 1 January 2008, outside the normal six-year rule that applied in AFCA.

AFCA was able to receive these 'legacy' complaints for a 12-month period that ended on 30 June 2020.

For the period of 1 July 2019 to 30 June 2020, AFCA received 1,917 total legacy complaints.

From 1 July 2020, AFCA could no longer receive new legacy complaints but could continue finalising complaints that were lodged during the legacy lodgment window.

Since the commencement of this jurisdiction, \$28.6 million in compensation and refunds was awarded or obtained through AFCA's legacy dispute resolution work, with \$12.7million awarded in 2020–21.

AFCA continues to finalise complaints under our legacy jurisdiction, with 231 complaints open at the end of 2020–21.

Legacy complaints are complex due to the time that has passed from the date of the event that gave rise to the claim. This has placed challenges on consumers and financial firms to provide documentation and accurate recollections relevant to the complaint. Despite these challenges, AFCA has been successful in working with parties to reach outcomes for many legacy complaints, with only a small number remaining to be finalised.

Between 1 July 2020 and 30 June 2021

875 closed

231 open

Stage at which legacy complaints closed

Stage	Total
Closed Registration	50
Closed Rules Review	209
Closed Case Management	275
Closed Preliminary View	140
Closed Decision	201

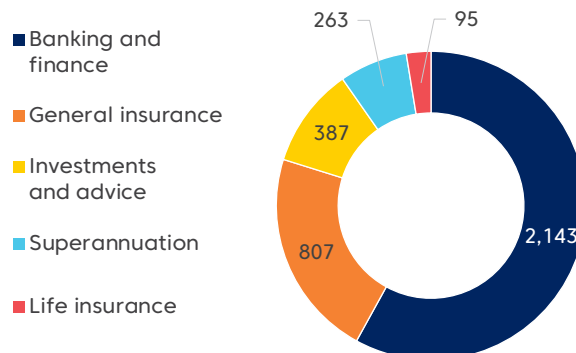
Conciliation

Conciliation is often the fastest and most effective way to resolve a complaint by ensuring that both parties listen to, and understand, the experience of the other.

The aim of a conciliation conference is to resolve the complaint by agreement where the parties are willing to do so. The best outcome is to have the matter resolve during the conciliation, which is why we expect those attending to have authority to resolve the complaint. Even in conciliations that do not resolve on the day, we find it can help the overall resolution process by encouraging all parties to be actively engaged in finding a solution.

Resolution outcomes can be as simple as an explanation of why the events occurred, and an apology for the customer experience in dealing with the complaint. During the conciliation we can also discuss why information the financial firm has requested needs to be provided and is relevant, and set a pathway forward for handling the complaint.

From 1 July 2020 to 30 June 2021, AFCA conducted 3,679 conciliation conferences. The breakdown by product area was:



For more information about conciliations visit afca.org.au/conciliation

“Wanted to thank you for your professionalism on today’s conciliation. I dread conciliations when they come up. They only work when you have a conciliator that keeps the complainant on task and you do that every time! You were impartial, fair and ran a well-structured conciliation.”

- Feedback from members

Complaints outside the Rules

The AFCA Rules set out the rules and processes that apply to all complaints submitted to the AFCA scheme, including superannuation complaints.

Our AFCA Rules Team reviews complaints when questions are raised about whether a complaint is within our jurisdiction.

Complaints may be outside of our jurisdiction if the party is not eligible to lodge a complaint, or the financial firm is not a member. Further, complaints may be outside our jurisdiction if we decide that they must be excluded under the AFCA Rules. There are mandatory and discretionary exclusions under the AFCA Rules.

Mandatory exclusions

There are mandatory exclusions that have certain categories of complaints that AFCA must exclude.

These categories of exclusions are:

- general exclusions
- exclusions that apply specifically to credit complaints
- exclusions that apply specifically to insurance complaints, including superannuation complaints
- exclusions that apply specifically to investment complaints, including superannuation complaints
- exclusions that apply specifically to traditional trustee company service complaints.

Discretionary exclusions

There are instances where AFCA may, at its discretion, exclude a complaint if AFCA considers this course of action is appropriate. We do not exercise our discretion to exclude a complaint lightly. Discretion is only used in cases where there are compelling reasons for deciding not to consider the complaint.

AFCA may exclude a complaint if we think that a court, tribunal, another dispute resolution scheme, or the Office of the Australian Information Commissioner is a more appropriate place to deal with a complaint. While doing so, AFCA considers several factors such as the potential advantages and disadvantages to each party of having the complaint determined by AFCA, or in another place, and whether AFCA's process is appropriate to resolve the complaint, compared to the process adopted in other forums.

Sometimes consumers and small businesses lodge complaints that might be outside our Rules.

If the financial firm consents and we consider it appropriate, then we are able to consider these complaints.

Where a complaint is excluded under AFCA Rules

Sometimes there are cases where AFCA is unable to consider a complaint. Sometimes, with the parties' consent, we may be able to facilitate the parties to resolve the matter between themselves. Where we are unable to consider a complaint, AFCA provides helpful information to complainants about other ways they may be able to resolve their complaints outside of AFCA. We may refer them to an appropriate other body or place where they can be assisted.

Reasons for complaints outside AFCA's jurisdiction

In the 2020–21 financial year, we excluded 6,786 complaints outside AFCA's jurisdiction.

'Financial service not provided' continued to be the most common reason a complaint was outside the Rules due to eligibility, with 2,271 complaints falling into this category. This may occur where the complainant incorrectly lodged against the wrong financial firm. Often, they have had a financial service provided, but not by the firm they selected.

The second highest category for exclusion was uninsured motor vehicle criteria not met (367), followed by complainant not eligible – general (316).

The top reason complaints were outside the Rules under mandatory exclusions was that it had already been dealt with by another court/tribunal/scheme (328). This was followed by assessment of credit risk (312) and level of fee/premium/charge/interest rate (246).

For the discretionary exclusions, the top three were 508 complaints related to general discretion to exclude, with 401 related to a more appropriate place and 263 relating to non-compliance of processes by a credit representative.

During the last financial year, as we finalised the remaining complaints from the predecessor schemes, we found that 120 complainants were outside the predecessor terms of reference.

Complaints were also excluded when they involved representation or assistance by a paid agent and AFCA considered the agent to be engaging in inappropriate conduct that was not in the best interest of the complainant, or the complaint was not accompanied by information required by AFCA.

Top three reasons complaints were outside the Rules – eligibility not met

Reason	Total
OTR B.2.1 (a) Financial service not provided	2,271
OTR B.2.1 (f) Uninsured motor vehicle criteria not met	367
OTR A.4.1 Complainant not eligible – general	316

Top three reasons complaints were outside the Rules – mandatory exclusions

Reason	Total
OTR C.1.2 (d) Dealt with by court/tribunal/scheme	328
OTR C.1.3 (a) Assessment of credit risk	312
OTR C.1.2 (a) Level of fee/premium/charge/interest rate	246

Top three reasons complaints were outside the Rules – discretionary exclusions

Reason	Total
OTR C.2.1 Discretion to exclude – general	508
OTR C.2.2 (a) More appropriate place	401
OTR C.2.2 (g) Credit representative non-compliance with process	263

Systemic issues

AFCA not only handles individual complaints. It also plays a critical role in the broader consumer protection framework through the identification, remediation and reporting of systemic issues and possible serious misconduct to three regulators – ASIC, APRA and the ATO.

This is a long-established design feature of Australian external dispute resolution (EDR) schemes. This requirement is set out in ASIC's Regulatory Guide 267, and it forms part of AFCA's authority to operate. AFCA has been meeting this requirement since its inception.

AFCA's role in identifying and reporting systemic issues clearly benefits consumers who have not lodged a complaint with AFCA, but who may, nonetheless, have been impacted by a systemic breach of obligation identified through this process.

In addition, AFCA must report possible serious contraventions of the law to the regulators within 15 days of reasonably becoming aware of them. The Corporations Act also requires AFCA to give particulars of a contravention, breach, refusal or failure of a financial firm to APRA, ASIC or the ATO, as appropriate, where that is identified in connection with a complaint.

Our current systemic issues process was adopted from the predecessor schemes, and it has achieved some great results so far.

This year, AFCA assessed 1,086 possible systemic issues and possible serious contraventions of the law, conducted 147 detailed investigations into possible systemic issues and 36 possible serious contraventions of the law.

These systemic issues and serious contravention work have also led to a range of enforcement actions taken by regulators and provided more than \$31 million in financial remediation to consumers and small businesses. Around 357,959 customers have been affected by these systemic issues.

In 2021, AFCA commissioned an independent review of this function to ensure it was fit for purpose, aligned to the regulatory priorities of the regulators to whom AFCA reports and to recommend ways that it could be enhanced. This included the development of a risk-based framework and digital and data transformation.

The objectives of the review were to:

- develop a transformational systemic issues model that places greater focus on data and trends analysis. This will more proactively and effectively inform real-time identification, investigation, remediation and reporting of systemic issue activity to regulators, and will ensure that AFCA's systemic issues and remediation functions will be world-leading and aligned to the expectations of our stakeholder groups
- seek greater clarity about the role AFCA plays, compared to the role played by other agencies and regulators in the consumer protection framework, to avoid duplication of investigation and confusion about responsibilities.

AFCA will now undertake a transformation of its systemic issues function. Financial firms can expect a more interactive and proactive systemic issues investigation process while this project proceeds, instead of the more formal paper-based approach AFCA has adopted in the past.

AFCA will also work with stakeholders to transparently share information about the role and function of the systemic issues and remediation team, so that the process is clearly understood by all. This includes developing better guidance for financial firms about our team's approach.

Between 1 July 2020 and 30 June 2021

Identified and investigated systemic issues resulting in the remediation of **357,959** consumers

Ensured more than **\$31 million** in refunds were made to consumers

Identified **1,086** potential systemic issues

Referred **147** systemic issue investigations to financial firms

Reported **55** definite systemic issues to regulators

Resolved **59** definite systemic issues (including those identified in prior years) with financial firms

Reported **36** possible serious contraventions to regulators

Case study

AFCA wrote to the financial firm about whether the bank had appropriate systems and processes in place to monitor and close loan accounts that were in credit.

In particular, customers were continuing to make payments on loan accounts that had been closed. These customers were not contacted by the bank and were not advised that their accounts were in credit.

The bank acknowledged that it had not been sufficiently proactive in monitoring and refunding excess payments made by customers. The bank committed to a suite of system and process improvements to ensure consumers are made aware of overpayments. These include automated SMS and email contact every month, for up to two years for overpaid accounts. Letters will also be sent to the last known address on all accounts considered overpaid after one month, and then again at seven months.

The bank identified 26 affected customers who were owed \$102,000 in refunds.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

Case study

AFCA initially wrote to the financial firm due to concerns about:

- whether it had processes and controls in place to meet its obligations to assist consumers with financial hardship under section 72 of the National Credit Code
- whether it was entitled to make hardship arrangements subject to cancellation of insurance policies and other agreements.

The financial firm responded to AFCA's possible systemic issue enquiry and confirmed its IT systems administratively treated hardship variations as refinances. As such, the system would trigger the following for the customer when a request for hardship was made:

- a new loan contract number
- an add-on insurance rebate.

The financial firm indicated that approximately 10,000 customers may have been impacted by this error.

The refinance also resulted in insurance contracts being unnecessarily cancelled when customers sought to vary their loan contracts on hardship grounds.

Following AFCA's systemic issue investigation, the financial firm confirmed that it had made changes so that:

- its IT systems no longer treat hardship variations as refinances
- the consumer loan contract retains the same account number while hardship variations are in place
- insurance cancellations are no longer triggered by the implementation of hardship variations.

The financial firm identified approximately 14,300 customers who had been affected by this issue, and estimated that the final remediation would see over \$669,000 refunded to affected customers.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.



Case study

AFCA wrote to an insurer in relation to concerns that it was incorrectly conducting retrospective valuations of insured properties when determining the 'actual loss' benefit under its policy.

In particular, AFCA was concerned that the insurer was using the property value at settlement date, rather than at the date of the claim, to calculate loss.

AFCA was also concerned that the retrospective assessment did not reflect the actual loss suffered by the consumer and was inconsistent with the rest of the insurer's policy.

Following AFCA's possible systemic issue enquiry, the insurer took steps to clarify its application of the 'actual loss' benefit under its policy. The insurer updated its policy to ensure it was clear to consumers that 'actual loss' would be calculated using the value of the property at settlement date, rather than the date of the claim.

AFCA remained concerned that previous versions of the policy may have misled consumers about the benefit they would receive under the policy for the loss in value of the property.

In resolution of the systemic issue, the insurer made further changes to its 'key facts' sheets to advise consumers how 'actual loss' is calculated under the policy and to show the calculation using examples.

The insurer identified 60 customers who had been affected by this issue and estimated that the final remediation value would be \$161,607.30.

The insurer confirmed that payment had been made to 59 customers totalling \$161,607.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

Naming financial firms

AFCA is committed to being open, transparent and accountable to the public.

We understand that we play an important public role and recognise that transparency in our data and decisions is essential to rebuilding trust in the financial sector.

AFCA publishes determinations in a form that identifies the financial firm against which the complaint is made, but does not identify the other parties to the complaint.

A determination will not be published if doing so would risk identifying any party other than the financial firm, or if there are other compelling reasons not to publish it.

In 2020–21, AFCA published 4,324 decisions in which the financial firm was named.

Six decisions were not published due to compelling reasons provided by the financial firm, pursuant to Rule A.14.5.

“Thank you. Our issue was resolved efficiently and fairly. Thank you for your help. This is an amazing consumer service.”

- Feedback from consumers

Significant events

AFCA activates significant event response plans for events that could potentially result in large numbers of related complaints being lodged with AFCA, such as natural disasters and severe weather events.

The significant event response plan provides for early communication with relevant stakeholders, and a more streamlined, expedited process for the resolution of related complaints.

AFCA also regularly engages with industry including ASIC, the Commonwealth Treasury and APRA, as well as industry representatives, such as the Insurance Council of Australia (ICA), to ensure our approach to handling these disputes is appropriate.

In the last financial year, AFCA activated five significant event response plans to support those directly impacted. These related to:

1. Victorian floods and storms – 15 June 2021
2. Tropical Cyclone Seroja – 14 April 2021
3. New South Wales and South East Queensland storms and floods – 22 March 2021
4. Perth Hill bushfires – 5 February 2021
5. South East Queensland Halloween hailstorms – 1 November 2020.

In total, AFCA received 9,097 complaints related to significant events in 2020–21 (including those related to significant events that had been declared in previous financial years).

The vast majority of those complaints (8,303) related to COVID-19, which was declared a significant event in 2019–20.

COVID-19

AFCA has continued to work hard to respond to the challenge of the COVID-19 pandemic in a flexible and pragmatic way.

In 2020–21, there were 8,303 COVID-related complaints, up from 5,013 in just four months at the end of 2019–20, after the pandemic was officially declared.

AFCA resolved 9,344 COVID-19, related financial complaints this year. The most common issues seen in complaints about COVID-19 were financial firms' failure to respond to requests for assistance (1,056), denial of claim – exclusion/condition (822), denial of claim (763) and delay in claim handling (633).

Of the complaints received, 1,995 were from consumers and small businesses experiencing financial difficulties.

Between 1 July 2020 and 30 June 2021

8,303 complaints received

85% complaints resolved

1,995 complaints involved financial difficulty

COVID-19 complaints by product area ¹

Product area	Total	Percentage
Banking and finance	4,809	58%
General insurance	2,636	32%
Superannuation	484	6%
Investments and advice	313	4%
Life insurance	60	1%

COVID-19 complaints – top 10 products ²

Product	Total	Percentage
Travel insurance	2,012	24%
Credit cards	1,282	15%
Home loans	1,054	13%
Personal loans	766	9%
Superannuation account	361	4%
Business loans	341	4%
Personal transaction accounts	332	4%
Investment property loans	152	2%
Loss of profits/ business interruption	123	1%
Landlords insurance	119	1%

COVID-19 complaints – top 10 issues ³

Product	Total	Percentage
Financial firm failure to respond to request for assistance	1,056	11%
Insurance – denial of claim – exclusion/condition	822	9%
Insurance – denial of claim	763	8%
Insurance – delay in claim handling	633	7%
Decline of financial difficulty request	511	6%
Service quality	498	5%
Insurance – claim amount	336	4%
Default listing	279	3%
Incorrect fees/costs	278	3%
Unauthorised transactions	239	3%

¹ One complaint can have multiple product areas. Percentages have been rounded and, as a result, do not total to 100%.

² One complaint can have multiple products.

³ One complaint can have multiple issues.

Stakeholder engagement



Customer service

AFCA is focused on delivering a world-class ombudsman service that meets the diverse needs of the Australian community. This starts with our commitment to deliver excellent customer service. We aim to provide all parties with an accessible, impartial, timely and respectful service they can rely on.

In total, we received 128,661 phone calls to our dedicated consumer line, 18,433 calls to our membership line and 4,214 calls to our COVID-19 support line.

The average call waiting time was just 36 seconds. This is a fantastic achievement that ensures AFCA is available to help consumers, small businesses and financial firms, and to answer questions about their complaints and our service.

AFCA also provides an online Live Chat function for consumers and small businesses that need real-time answers to pressing queries. This service is available weekdays between 9 am and 5 pm AEST, and in the last financial year we received more than 14,000 online live chat messages.

The Live Chat function allows us to provide consumers with information about AFCA, general guidance on what type of complaints we can and can't consider, and what type of information a consumer will need to provide if they decide to lodge a complaint.

128,661 calls to our consumer and small business phone

18,433 calls to our membership phone line

4,214 calls to our COVID-19 support line

36 seconds average wait time

86% of calls answered within 90 seconds

3,451 complaints lodged over the phone

13,183 complaints lodged via email

14,393 online live chats

2,543 customers were provided with extra assistance in lodging complaints

Stellar Achievement Award at SOCAP Industry Awards

In recognition of his outstanding customer service work, AFCA's Customer Service Team Manager Steven Short was presented with the Society of Consumer Affairs Professionals (SOCAP) Stellar Achievement Award in 2021.

The award was announced at the 2021 SOCAP Symposium and acknowledges an individual for their significant contribution to improving customer service.

Steven has led a range of projects to enhance AFCA's service, driving a culture of exceptional customer experience at our front line. He was instrumental in refining AFCA's customer service, designing and implementing new service standards, a quality assurance model, customer-centric performance indicators and improving AFCA's response to significant events including natural disasters.

Providing an accessible service

AFCA is committed to providing a service that is accessible to everyone, including giving those using our service the information they need in a format that works for them.

We are particularly focused on ensuring vulnerable and disadvantaged people can readily use our service. In line with the *Disability Discrimination Act 1992* (Cth), AFCA is committed to providing information and services in a non-discriminatory way.

We welcome the opportunity to discuss the types of assistance we can provide, or facilitate, to help parties to a complaint interact with us in the way that best meets their needs.

We provide the following accessibility services:

- a free translator, if English is not the complainant's first language (including Auslan)
- more flexibility with our process requirements
- referral to community support services
- complainants can contact us through the National Relay Service using:
 - > TTY/Speak and Read
 - > Voice Relay (previously known as Speak and Listen)
 - > NRS Chat (previously known as Internet Relay).

Complainants can also nominate email (or post) as their preferred method of communication.

Mental health

We seek to understand if people experiencing mental health issues see this as affecting their ability to engage with us to resolve their dispute.

Complainants can choose to:

- nominate email (or post) as their preferred method of communication
- lodge their dispute over the phone.

Language

We can provide information about our services in different languages.

Complainants can write to us in their preferred language, and we will have their correspondence translated free of charge.

At no charge, we can arrange for our correspondence to be translated into the complainant's preferred language.

In 2020–21, we launched improved online resources in languages other than English to make it easier for all communities to access financial dispute resolution. The resources included a series of videos featuring AFCA's own people speaking their first language.

We also increased our professionally translated resources from 14 languages to 20 (including English).

Since launching in November 2018, AFCA has received around 700 requests for an interpreter, with AFCA providing this service free of charge in over 75 different languages.

Vision

- Our website supports screen readers, and font sizes can be adjusted as needed.
- We can mail a dispute form to complainants in a large font size, for example – 16 points or larger.
- We can print our correspondence in a large font size, for example – 16 points or larger.
- Disputes can be lodged over the phone.

Accessibility and Inclusion Network

In 2020, AFCA formed an Accessibility and Inclusion Network, composed of over 40 passionate people across three priority areas: Reconciliation, Mental Health and Pride.

Network groups will proactively identify ways to increase the accessibility of our service. They will also consider internal practices and initiatives that support our culture of diversity, inclusion and belonging.

External engagement

Community expectation of transparency and effectiveness in public institutions is higher than ever. Consumers and small businesses, members and government will continue to demand more from AFCA.

To ensure AFCA can effectively respond to these demands, in 2021 we developed a stakeholder engagement framework that supports us in developing strong and meaningful relationships with key external stakeholders. This framework provides mechanisms that make certain we use the insights we gain through this engagement to inform our approach.

AFCA undertakes a wide range of external stakeholder engagement to support our strategy and vision to be a world-class ombudsman service that contributes to, and benefits, the broader community. We seek to grow and maintain community trust and confidence in our service and decision-making, and successful engagement with our stakeholders supports this goal.

We achieve this by developing strong and meaningful relationships with a broad range of key external stakeholders – from consumer, member and industry bodies through to regulators and government. We meet with stakeholders regularly and focus on measured, purposeful and targeted engagement, as we seek to inform change and influence better practices in the financial services sector.

Desired stakeholder engagement outcomes

In implementing our stakeholder engagement framework, we track the success of our stakeholder engagement against our values and key outcomes, including the following:

- We are viewed as a world-class ombudsman service, with a deep understanding of the financial services sector, consumers, stakeholders and their needs.
- We have strong and trusted relationships with our diverse range of stakeholders, striving to meet their needs and receive their support.
- Stakeholders seek our input because AFCA is viewed as knowledgeable and solution-oriented.
- We raise standards through providing useful data and insights that help empower members and other stakeholders to improve practices and better meet community needs.

Stakeholder engagement principles

Our principles of engagement are directly linked to our organisation values. In all our stakeholder engagement activities we commit to the following:

- Engagement is purposeful and targeted.
- We clearly identify the people and organisations we want to engage with.
- We engage proactively and not only when we need support.
- We manage how we are perceived in the broader external environment.

Who we engage with

AFCA has a broad range of external stakeholders – from those who use our service to those who are interested in AFCA’s broader role in informing reform and improving industry practice.

We work in a close, regular and proactive manner with consumers, small businesses and industry to share insights and information that can help raise standards in the financial services industry and improve practices to meet the needs of the Australian community.

AFCA also regularly engages with consumer advocates, including financial counsellors, community lawyers and financial capability workers as part of our work to support access to our service.

Our stakeholders are important to us and provide valuable feedback and insights, so that we can provide the best possible service. As such, we follow a robust engagement program that includes forums, liaison groups, one-on-one meetings, events, consultations, webinars, newsletters and social media.

Website

The AFCA website contains all the information about AFCA and our ombudsman service – including the types of complaints we consider (including our Rules), our approaches to common complaints and other information, such as factsheets. It also includes published decisions and consumer-focused information on how to lodge a complaint.

We have dedicated pages for significant events and updates, such as media releases and the latest news items.

The AFCA online complaint form is accessible via our website. It allows consumers to lodge complaints at a time that suits them, including outside office hours.

From 1 July 2020 to 30 June 2021, the AFCA website had 969,502 unique visitors and 3,299,596 total page views.

The most visited webpages were the AFCA online complaint form, information about insurance complaints and the ‘Find a financial firm or superannuation fund’ search function.

Social media

We use social media to engage with consumers about the work we do, the types of complaints we consider and how to lodge a complaint if they have a dispute with their financial firm. We also use social media to communicate with members and other financial industry stakeholders, including regulators and members of government.

Engaging with our stakeholders on social media platforms provides proactive opportunities to announce important updates about our service, significant events and media releases. We can talk directly with interested parties about the work we do, internally and externally, promote employer brand and increase awareness and accessibility. Facebook, in particular, allows us to encourage consumers to contact their financial firm about their complaint before lodging a complaint with AFCA.

Facebook provides an additional customer service platform. We use direct messaging on Facebook and Twitter to provide consumers with an alternative to our Live Chat function. We answer standard questions about our service, share links to webpages and direct consumers to make a complaint, if required.

AFCA currently uses Facebook, Twitter and LinkedIn for social media engagement.

As at 30 September 2021, we had 2,456 Twitter followers, 3,271 Facebook page followers and 11,881 LinkedIn followers.

AFCA Consumer Advisory Panel

The AFCA Consumer Advisory Panel (ACAP) is composed of 10 consumer representatives who meet regularly with our Senior Leadership Group. The panel provides insights and analysis on the consumer-facing elements of AFCA strategy and policy, consumer-related projects and shares real-time information about the financial problems Australians are facing, including challenges accessing financial products and services.

Panel members represent the communities we serve including Aboriginal and/or Torres Strait Islander peoples, culturally and linguistically diverse communities and people experiencing financial difficulty. The panel met online during 2020–21.

Significant matters addressed by the panel included:

- impacts of the pandemic, including early release of superannuation, payment deferrals and business interruption insurance
- mis-selling of financial products in First Nations communities
- consumer credit reforms, repayment history information, financial scams and the ePayments Code
- debt management firms and ASIC licensing requirements
- natural disaster responses and insurance
- AFCA's Fairness Project, including the Engagement Charter.

ACAP members:

- Gerard Brody, Chief Executive Officer, Consumer Action Law Centre
- Karen Cox, Chief Executive Officer, Financial Rights Legal Centre
- Tony Devlin, Moneycare National Facilitator, Salvation Army
- Samantha Forsyth, Manager Service Development, Centacare Catholic Country SA
- Fiona Guthrie, Chief Executive Officer, Financial Counselling Australia
- Loretta Kreet, Principal Lawyer, Legal Aid Queensland
- Roberta Grealish, Principal Solicitor, Consumer Credit Legal Service WA
- Dana Beiglari, Senior Solicitor, Legal Aid NSW
- Sonia Vignjevic, Victorian State Director, Settlement Services International
- Jillian Williams, Operations Manager, Indigenous Consumer Action Network
- Peter Gartlan, Independent Chair

AFCA would also like to acknowledge the significant contributions of the following outgoing members: Ma'ata Solofoni (Legal Aid NSW), Paul Holmes (Legal Aid Queensland), Gemma Mitchell (then Consumer Credit Legal Service WA) and Anne Crouch (Uniting Country SA).

“Being a member of ACAP has provided me with a valuable insight into the scope and complexity of AFCA’s work and their focus on fair outcomes.”

- Anne Crouch, Uniting Country SA.

Consumer Advocate Liaison Meetings

In 2020, we launched a new community of practice for constructive dialogue between consumer advocates and our senior managers. Consumer Advocate Liaison Meetings (CALM) provide a platform to share knowledge, discuss service delivery, process questions and concerns, and build relationships between a broad range of community organisations.

The 24 members of CALM come from organisations that provide case management, advice and representation for clients who have a complaint with AFCA.

Topics discussed and consulted on included:

- AFCA's approach to conciliation
- fairness, including AFCA's Engagement Charter
- the key steps in Registration and Referral, including the process for urgent complaints and accessibility support for vulnerable people.

Conferences and events

Throughout the financial year, AFCA team members attended events in multiple capacities including as keynote speakers and presenters, panel discussion members, and training workshop hosts and facilitators.

These included one-on-one meetings, forums, e-forums, virtual meetings, events and speaking engagements, and community forums. We also continued to support the financial counselling sector by providing professional development and covering topics such as small business and natural disasters, and insurance.

Although many scheduled events throughout 2020–21 were impacted by the pandemic, AFCA attended in person when possible, or otherwise made virtual presentations.

Financial Counselling Australia Conference and External Dispute Resolution Forum

At this year's External Dispute Resolution Forum, held during the Financial Counselling Australia National Conference in Darwin, Energy and Water Ombudsman NSW, Energy and Water Ombudsman (Victoria), Telecommunications Industry Ombudsman and AFCA hosted the External Dispute Resolution (EDR) Star Awards for the first time. We invited financial counsellors to submit a video story about the outcome of an EDR complaint and what it meant to their client.

AFCA congratulates the inaugural 2021 EDR Star Award winner, Financial Counsellor Carly Baker, from Bethany Community Support for her professionalism, passion and dedication.

Member engagement

AFCA has a dedicated membership team that assists AFCA members with the management of their membership including applications, online assessments, annual forecasting and everyday membership enquires.

In 2020–21, AFCA worked proactively with stakeholders to improve and expand on our membership services. AFCA's goal is to enable our members to interact with us more frequently and have greater access to information to help them manage complaints.

In the last financial year, AFCA commenced work on delivering a new member resources portal that includes training products, such as videos and webinars, to help members build capability in key areas of dispute management.

AFCA also began work on building tailored member benchmarking reports to assist with minimising disputes before they reach EDR.

To improve membership engagement, AFCA launched its monthly membership newsletter 'Member News'. Sent to more than 30,000 subscribers every month, the newsletter includes important information and updates about AFCA, EDR and the financial services industry.

Member forums

AFCA member forums are a great opportunity for all our members to learn from AFCA's senior staff, including ombudsmen and senior case management leaders. The forums give our members insights into complaint trends and issues, as well as the opportunity to understand how to apply this knowledge to their complaint handling practices, with the ultimate goal of minimising complaints.

The member forums facilitate a two-way conversation with our members about AFCA's processes, and allow members to learn about our approach to decision-making.

In November 2020, AFCA held six virtual forum sessions across two days that received 4,549 total views from members across Australia. These forums included dedicated sessions on banking and finance, superannuation, life insurance, general insurance, and investments and advice.

The recordings and presentations for each of the forum sessions are available on the AFCA website at afca.org.au/news/webcasts.

AFCA member portal

The member portal is a secure online service available to all AFCA members. The member portal allows AFCA members to view and manage complaints, generate complaint statistics, update contact details and make payments to AFCA.

AFCA regularly updates the member resources with guidance on our process and our approach to recurring or emerging complaint issues.

In 2020–21, the member portal had 443,966 page views.

Industry liaison group meetings

Our industry liaison groups usually meet between two and four times a year to discuss issues relating to their specific industry. The group consists of 12–20 senior representatives from member firms, industry associations and AFCA.

Our industry groups represent superannuation, investments and advice, general insurance, life insurance, professional indemnity and medical indemnity.

Submissions and consultations

AFCA proactively contributes to the development of reforms to financial services law, regulation and policy. Through this work, we aim to address issues raised in complaints or systemic issues, improve the resolution of complaints about financial services and reduce future complaints.

We participate regularly in inquiries, reviews and other consultations by making submissions, appearing at hearings and providing feedback on proposed reforms. We also work closely with regulators and peak bodies, sharing data and other information to improve practices.

In 2020–21, AFCA made written submissions, engaged with stakeholders and provided information and feedback on areas of reform and other matters including:

- the review of the *Privacy Act 1988* (Cth)
- licensing and regulation of firms providing debt management services
- changes to responsible lending obligations
- regulation of debt agreement administrators
- expansion of the consumer data right regime
- changes to internal dispute resolution requirements in financial services through the new ASIC Regulatory Guide 271
- ASIC’s review of the ePayments Code
- the Royal Commission into National Natural Disaster Arrangements
- the Draft Financial Planners & Advisers Code of Ethics 2019 Guide
- ASIC consultation on updates to *Regulatory Guide 256: Client Review and Consumer remediation*.

Compensation Scheme of Last Resort

AFCA and its predecessor schemes have long advocated for the establishment of a Compensation Scheme of Last Resort (CSLR).

On 16 July 2021, the Federal Government released the exposure draft legislation to establish the CSLR.

The establishment of the CSLR will support ongoing confidence in the financial system’s dispute resolution framework, by facilitating the payment of compensation to eligible consumers who have received a determination for compensation from AFCA, which remains unpaid.

AFCA welcomed the announcement and reconfirmed its support for the creation of a CSLR following the Federal Government’s exposure draft legislation.

AFCA believes Australia needs a compensation scheme for people who have the right to a remedy for financial misconduct, but who are left without redress when a financial firm becomes insolvent.

AFCA looks forward to working with the government and stakeholders to help implement this important reform.

AFCA Independent Review

The *Australian Financial Complaints Authority Act 2018* (Cth) (the AFCA Act) provided that an Independent Review (Review) be established after AFCA had been operating for 18 months (and five-yearly thereafter).

On Friday 19 February 2021, Senator Jane Hume, Minister for Superannuation, Financial Services and the Digital Economy announced the Review.

AFCA welcomed the Review and made a submission to Treasury on 26 March 2021. Additional information and data has also been provided by AFCA during the Review.

In our submission, AFCA showed that it experienced a very high uptake of its services in its first two years, receiving more than 153,000 complaints and finalising over 146,000 complaints in this period. Almost half of the complaints AFCA dealt with during this time were resolved in an average time of 31 days. The overall average time it took to finalise all complaints in the first two years was 74 days. AFCA has also resolved over 10,000 complaints that it inherited from predecessor schemes.

In addition, AFCA established and administered a legacy jurisdiction covering historical complaints going back to 1 January 2008.

AFCA's submission proposed several areas for further discussion and consultation, including areas in which AFCA could make appropriate enhancements to its Rules and jurisdiction. Several areas that AFCA proposed, or has already progressed enhancements, include:

- changes to our Rules to deal more effectively with fee-for-service representatives who lodge complaints
- dealing with complaints without merit more quickly and at an earlier stage of our process
- lifting our non-financial loss compensation cap, which is at a low level compared with other bodies.

In 2020–21 AFCA also commenced an internal review of our funding model to ensure it is cost-effective, fit-for-purpose and sustainable. Further work on the funding model review, including consultation with AFCA members and stakeholders, will be occurring in 2021–22.

You can find AFCA's submission to the Independent Review at afca.org.au/submissions.



People
and culture

AFCA's People and Culture Strategy ensures we remain focused on attracting the best talent in our sector, with a culture that enables our people to deliver service outcomes consistently, including during times of rapid change and disruption.

Our focus

Culture at the Heart

Culture that drives the highest levels of engagement, accountability and performance across AFCA.

Capability at the Core

Fit-for-purpose frameworks and approaches for learning, capability, talent and leadership development across all levels.

Firm Foundations

Contemporary people-centric policies, processes, systems and risk management, coupled with meaningful data and reporting.

Care and Wellbeing

Proactive approaches and initiatives to support the ongoing health, safety and wellbeing of all employees.

Capability at the Core

AFCA employees come from a wide range of professional backgrounds, with strong representation from legal and financial services, dispute resolution and consumer sectors.

Our employees include lawyers, accountants, financial advisers, investigators, dispute resolution practitioners, industry specialists and data analysts.

Due to the significant increase in new employees at AFCA during the last 12 to 18 months, considerable focus has been given to capability uplift techniques, such as:

- targeted recruitment programs to attract high-quality individuals who have experience and skills to deal with complex disputes
- developing and delivering training to provide technical expertise
- launching a Leadership Capability Framework (LCF) that articulates current and future capabilities, expectations and shared behaviours across all levels within AFCA
- identifying complaints where a case worker may require assistance in forming a view more quickly
- introducing Technical Quality Support Managers – specialist roles to provide quality
- assurance reviews of written work, guidance in forming a view on a complaint and assistance with AFCA Approaches
- developing tools to assist case workers to identify issues and articulate why a decision is fair
- training of case management staff in mediation skills, so they can perform their own telephone conciliations
- greater cross-collaboration between teams to identify trends and training opportunities
- development of an enhanced quality assurance framework to ensure AFCA case reviews are targeted to our higher risk activities. This will allow our people to receive targeted quality assurance reviews, resulting in a reduction of time to resolution
- development of specialist teams to support expertise in particular areas with greater access to specialist decision makers
- a focus on grouping complaints with a single financial firm to case worker teams to support learning and increase efficiencies
- creating a sessional ombudsman pool for greater agility to handle complaint spikes, particularly in areas requiring specialist expertise, such as superannuation.

Diversity, Inclusion and Belonging

An approach to Diversity, Inclusion and Belonging was developed, and it will constitute a key pillar of AFCA's culture development plan for the next three years.

Key priority areas have been identified as part of this approach, along with measurable objectives.

Highlights include the formation of the Accessibility and Inclusion Network, an employee-led initiative focused on areas such as LGBTIQ+, inclusion and reconciliation, along with a review of the employee journey and 'moments that matter' when it comes to inclusion.

Belonging has emerged as the key driver of engagement for our people in the last two employee experience surveys, and it's pleasing to know that over 75% of employees feel they belong at AFCA and believe that leaders are genuinely committed to building a diverse workforce.

Recruitment

AFCA's recruitment function has been transformed to the Recruitment, Careers and Employer Brand team – anchored by a strong commitment to putting the care and experience of our candidates and stakeholders at the centre of everything we do. To achieve this, we implemented a multi-year strategy and proactive business-partnering model with an executive search, corporate services and case work (volume) offering.

Performance and Development

Performance and Development at AFCA continues to evolve, with ongoing commitment to creating a more empowering experience for both leaders and employees. The new Performance and Development framework, launched in September 2020, reinforces contemporary, best practice elements of performance and development, including the introduction of performance goals for every function across AFCA (aligned to annual business planning), a simplified rating system, and a strong focus on coaching and feedback (aligned to AFCA's Leadership Capability Framework).

At AFCA we promote an environment where the cultures, backgrounds and experiences of our employees are recognised and valued.

All female Lead Ombudsman group

In May 2021, AFCA announced the appointment of two new lead ombudsmen.

Emma Curtis took on the role of Lead Ombudsman – Insurance, and Suanne Russell became the new Lead Ombudsman – Small Business. This means for the first time, all five lead ombudsmen roles at AFCA, are now held by women, as well as that of Deputy Chief Ombudsman, which is held by Dr June Smith.

782 employees

51% of all leaders are women, including 52% of our senior leaders and 67% of our Board members

13% of our employees work part-time

35% of employees were born outside Australia

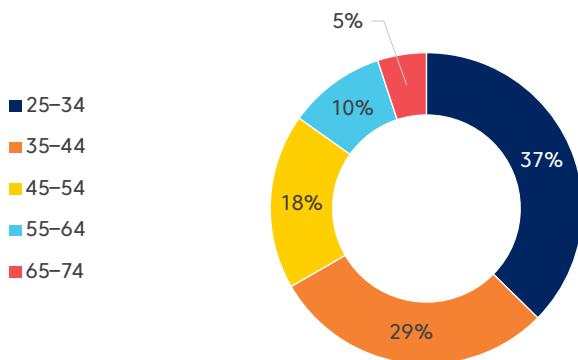
41% of employees identify as being culturally or linguistically diverse

6% of employees are people living with disability

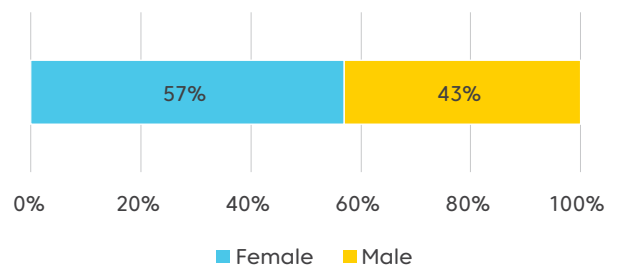
0.7% of employees identified as Aboriginal Australians and/or Torres Strait Islanders

11% of employees identified as being part of the LGBTQIA+ community

Age breakdown of employees ¹



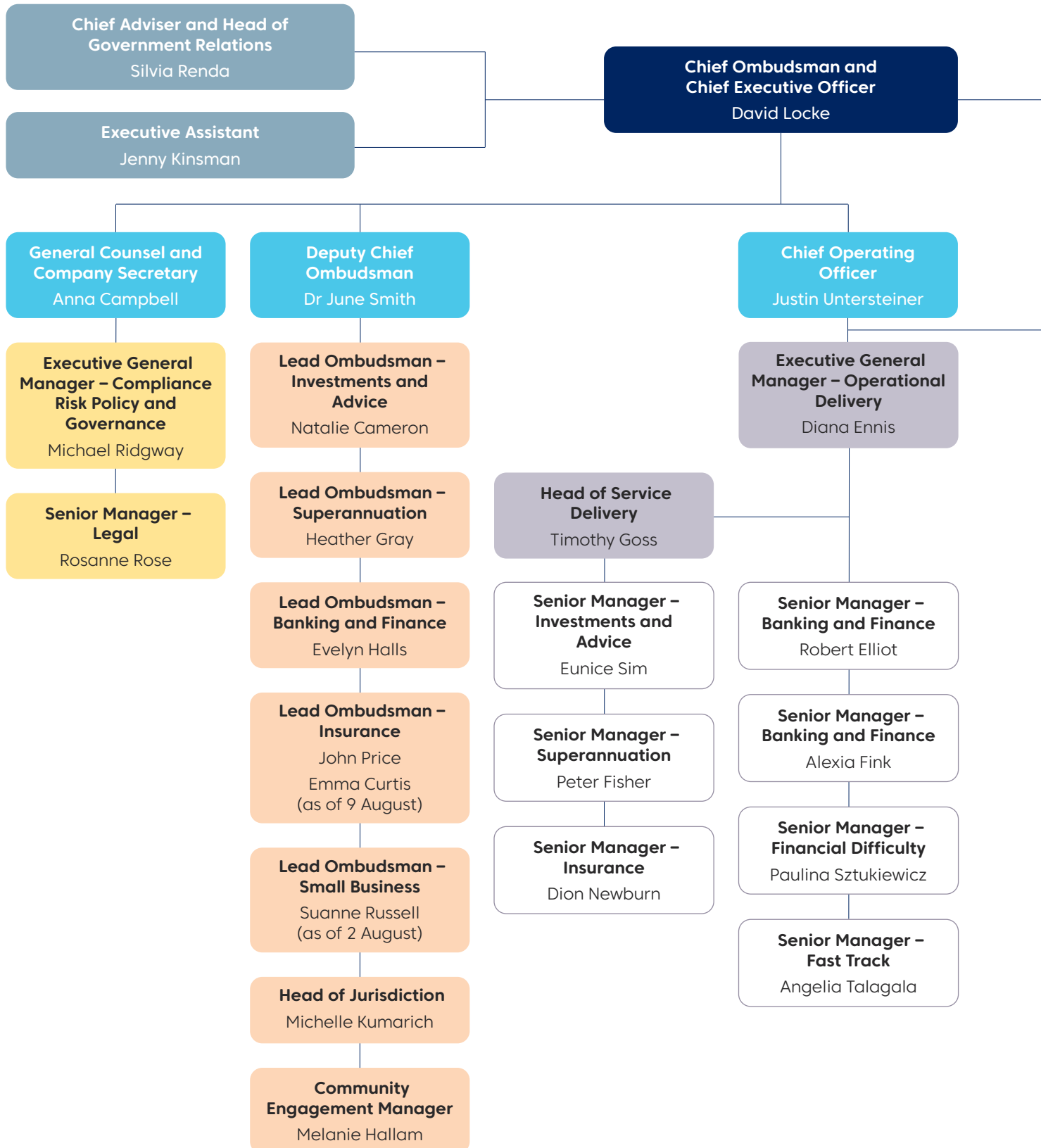
Gender breakdown of employees



¹ Percentages have been rounded, resulting in the total not equalling 100%.

Organisational chart

As at 30 June 2021



Code Compliance and Monitoring

Rene van de Rijdt (acting)

**Executive General
Manager – Operational
Excellence**
Robert Guest

**Executive General
Manager – Finance, I.T,
Project Management
Office and Strategy**
Brigid Parsonson

**Executive General
Manager – People
and Culture**
Hazel Thurlow
(concluded
30 April 2021)

**Head of
Communications
and Brand**
Susie Cotterill

**Head of Membership
Services**
Campbell Daff

**Head of Operational
Excellence**
Emma-Jane Smith

**Senior Manager –
Workforce Planning**
Matthew Barrenger

**Senior Manager –
Customer Service and
Resolution**
Kristine Seeto

Leaders

AFCA Senior Leadership Group as at 30 June 2021

AFCA is led by an independent Chief Executive Officer and Chief Ombudsman, and supported by a strong Senior Leadership Group.

- David Locke, Chief Executive Officer and Chief Ombudsman
- Dr June Smith, Deputy Chief Ombudsman
- Justin Untersteiner, Chief Operating Officer
- Anna Campbell, General Counsel and Company Secretary
- Silvia Renda, Chief Adviser to CEO and CO
- Evelyn Halls, Lead Ombudsman – Banking and Finance
- John Price, Lead Ombudsman – General Insurance
- Natalie Cameron, Lead Ombudsman – Investments and Advice
- Heather Gray, Lead Ombudsman – Superannuation
- Diana Ennis, Executive General Manager – Resolution
- Rob Guest, Executive General Manager – Operational Excellence
- Michael Ridgway, Executive General Manager – Compliance, Risk, Policy and Compliance
- Hazel Thurlow, Executive General Manager – People and Culture (concluded on 30 April 2021)
- Brigid Parsonson, Executive General Manager – Finance, IT, PMO and Strategy

Decision makers as at 30 June 2021

Banking and finance

Lead Ombudsman

Evelyn Halls

Ombudsmen

- Geoffrey Bant
- David Brett
- Jennifer English
- Terri Gladwell
- Damyon Lill
- Jesse Marshall
- Wes Pan
- Alan Price
- Larissa Shafir
- Brenda Staggs

Adjudicators

- Andrea Barker
- Carolyn Dea
- Elizabeth Johnson
- Maxwell Pringle
- Christopher Siemers
- Diana Tchorbanov
- Susan Wan

Insurance

Lead Ombudsman

John Price

Ombudsmen

- Qasim Gilani
- Timothy Griffiths
- Christos Liamos
- Christine McCarthy
- Mark McCourt
- Helen Moye
- Donald O'Halloran
- Michael Brett Young

Adjudicators

- Rebecca Clark
- Brydie Cook
- Jerome Hew
- Daniel King
- Stephanie Kouvas
- Matthew O'Donoghue

Investments and advice

Lead Ombudsman

- Natalie Cameron

Ombudsmen

- Shail Singh
- Nicolas Crowhurst
- Ian Donald
- Alexandra Sidoti
- Michael Arnold

Superannuation

Lead ombudsman

- Heather Gray

Ombudsmen

- Jane Abbott
- Vicki Carter
- Anne Maree Howley
- Justin Malbon
- Benjamin Norman
- Mervyn Silverstein
- Ben Taylor
- Ragini Rajadurai

Adjudicator

- Senthur Kugathan



“I was heartbroken, distressed and in deep financial hardship by the time my case came to AFCA’s attention. My case manager was calm, kind and understanding at every step of the way in my dealings with her. She was astonishingly efficient and amazingly well appointed in every professional way.”

- Feedback from consumers

Feedback about our service

AFCA takes all feedback about service seriously. While we are certainly proud of the work we have achieved so far, we also acknowledge that there are opportunities to improve and enhance our service.

AFCA welcomes feedback via our online feedback form, email, phone or on social media. We use the information and insights that we receive from feedback and complaints as part of our quality program and continuous improvement work.

In 2020–21, we received 227 compliments about our service through our formal complaints and feedback channel.

Positive feedback included compliments about our overall service, helpfulness, responding quickly and flexibly to issues experienced by complaint parties, and for outcomes of determinations and resolutions we provided.

We received 984 complaints about our service in 2020–21. This is a 4% decrease on the previous year and represented 1.4% of all financial firm complaints that we received in 2020–21.

We resolved 1,060 service complaints in 2020–21, which was a 16% increase on the previous year.

Of the service complaints finalised, 85% of service issues raised were not upheld or substantiated, which was consistent with the previous year.

In 2020–21, we received 67 expressions of dissatisfaction – feedback that does not require a response. These often come to us via our website, or to a staff member in an email or phone call.

During 2020–21, 201 service complaints were escalated and lodged with the Independent Assessor, representing 20% of the total service complaints received.

Service issues

Issues raised in complaints about our service can relate to our communication; timeframes and process; concerns about how a complaint was finalised, including at determination; or other issues relating to the level of service we provided to consumers, small businesses and AFCA members.

Service issues can also relate to membership services, including fees charged.

In 2020–21, the three most common issues raised in service complaints lodged were alleged bias in our process, delays, and failure to take into account relevant information in a determination we issued.

Of the service complaint issues that were upheld in 2020–21, most (80%) related to delays, how we kept parties informed of their complaint progress or incorrect/insufficient information being provided.

Thirty-one issues about determinations we issued were upheld in 2020–21, representing 1.5% of all service complaint issues dealt with.

No complaints alleging bias in a determination were substantiated in 2020–21.

Outcomes and timeframes

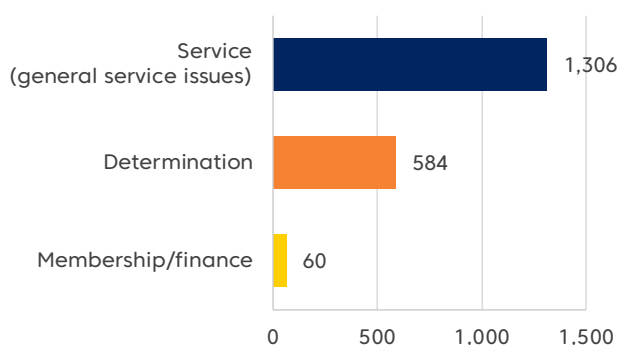
The most common outcomes for service complaints upheld this year were apologies. In a small number of instances, complaints were also prioritised as an outcome. Non-financial loss compensation for a number of substantiated issues, including delays, was also offered and provided.

For the small number of determination issues that were upheld, an apology and/or errors being corrected were the most common outcomes provided.

We resolved 48% of service complaints within our timeframes, which was a slight reduction from the previous year, and reflected the closure of a number of older service complaints in 2020–21. We saw strong improvements in our open service complaint timeframes – but with the average age of open service complaints decreasing from 58 days, at the beginning of July 2020, to 32 days at the end of June 2021.

On average, we resolved a service complaint within 57 days.

1,950 service issues



Note: some service complaints have more than one issue, so this total is greater than the number of service complaints received.

Areas of focus and further improvements

Our service complaints team continued to work closely with our quality and customer experience teams, and across AFCA, to share insights and issues that arose from complaints about our service this year. We also worked in conjunction with the Independent Assessor to discuss and progress key issues that the Independent Assessor identified in service complaints investigated by her office.

In 2021–22, we will be continuing to work with AFCA case management and decision teams to assist them in addressing and responding to service complaints, and to tackle any recurring issues that are arising.

Providing more flexibility in our service and complaint handling and improving our complaint handling efficiencies and timeframes are important areas of priority.

Case study

A complaint was lodged about a financial firm not meeting its financial hardship obligations when the complainant had trouble making loan repayments due to personal illness and the effects of COVID-19 on their business.

AFCA investigated the matter and found in favour of the complainant.

AFCA determined that the financial firm had failed to adequately consider the complainant's financial hardship, and it had inappropriately contacted family members about the debt. AFCA's determination directed the financial firm to further consider a repayment proposal, provide a three-month payment moratorium, and it also awarded an amount of non-financial loss compensation to the complainant.

The complainant subsequently lodged a complaint about AFCA's service, raising concerns about delays and the number of case managers that handled their complaint.

Outcome and findings

We conducted a thorough review of the complainant's file and found that there had been delays and several case workers involved in dealing with the complaint. We apologised to the complainant and explained why their complaint had been dealt with by several case workers.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

“I want to thank you AFCA – it was so hard for me over the last years financially, mentally, and emotionally, and you really helped. My little review for AFCA is – 10/10 score! Thank you.”

- Feedback from consumers

“Thank you for your valuable time last week and your kind listening ear – your professional manner and kind approach was a breath of fresh air.”

- Feedback from consumers

Case study

AFCA dealt with a complaint against a financial firm, in which a complainant raised concerns that monthly life insurance premiums were being incorrectly debited from their superannuation account. The complainant believed the monthly life insurance premium amount was varying significantly and they were concerned that this was an error.

AFCA's determination upheld the superannuation trustee's position that premiums were being deducted fairly and in accordance with the relevant policy terms.

The complainant lodged a service complaint because they were concerned that AFCA had acted with bias by allowing the financial firm additional time to provide its response, there were delays in the progress of his complaint and his AFCA case manager had changed several times.

Outcome and findings

AFCA investigated the complainant's concerns and provided an explanation of the process that had been followed, why the complaint had been reallocated to different case workers, and why it had taken longer than usual to progress to a decision. We also apologised for the delay in responding to his service complaint.

The complainant was not satisfied with our response to their complaint, and subsequently pursued a service complaint with the Independent Assessor. After completing her investigation, the Independent Assessor also found that AFCA had delayed in allocating the case to a decision maker and in responding to their service complaint. The complainant was awarded a small amount of non-financial loss compensation, which they accepted.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.



Case study

The complainant lodged a service complaint about the determination we issued, in which they raised a concern that the AFCA decision maker had not considered the information the complainant had provided.

The original complaint was against a financial firm relating to a motor vehicle insurance claim, with the complainant being an uninsured third-party driver. The complainant believed he was not at fault for the accident because the other driver was speeding.

AFCA found in the financial firm's favour, on the basis that the complainant could not establish that they were not at fault for the accident.

Outcome and findings

AFCA investigated their concerns that information had not been properly considered. Our investigation included a complete review of the file by the service case manager and review of the matter by the Lead Ombudsman. The matter was also discussed with the decision maker who had issued the determination.

Following our investigation, we found that the information had, in fact, been considered by the decision maker and was also referenced in the determination. AFCA provided a response to the complainant explaining that although we understood they disagreed with the determination outcome, the decision maker had considered all information provided by the parties including the complainant's information and the determination represented AFCA's final decision in relation to their complaint.

Case studies are used to demonstrate AFCA's approach to an issue and have been simplified for length and clarity.

Independent Assessor Report

About the Independent Assessor

The Independent Assessor reviews complaints about the standard of service provided by AFCA in resolving complaints.

Complainants, representatives and financial firms that are affected by how AFCA has dealt with a complaint may lodge a complaint with the Independent Assessor.

The Independent Assessor does not have the power to review the merits or substance of an AFCA decision.

The Independent Assessor reports on issues affecting AFCA's complaint handling performance and makes recommendations to AFCA in response to issues arising from service complaints.

The Independent Assessor is appointed by, and reports to, the AFCA Board and works in accordance with the Independent Assessor's Terms of Reference.

The Independent Assessor is not part of the day-to-day running of AFCA and does not answer to AFCA's senior management or Chief Ombudsman.

During the 2020–21 financial year, the Office of the Independent Assessor received 201 complaints about AFCA's and its predecessor schemes' handling of complaints.

The office accepted complaints from individuals, small businesses and financial firms in relation to complaints handled by AFCA, FOS and the CIO.

Complaints lodged by scheme

Scheme	2019–20	2020–21
AFCA	119	192
FOS/AFCA	22	4
FOS	7	-
CIO/AFCA	11	3
CIO	1	2

Complaints to the Independent Assessor compared to complaints to AFCA overall by product line

Product type	Independent Assessor	AFCA
Banking and finance	106	42,261
General insurance	35	16,912
Superannuation	27	5,249
Investments and advice	23	3,888
Life insurance	10	1,623

Nature of complaints received

Complaints received alleged a range of issues, including:

- poor quality advice/information provided
- failure to address key submissions/concerns
- delays in handling a complaint against a financial firm or AFCA service complaint
- process or staff were biased
- non-response to questions/information requested.

The submissions received may include one or more issues.

A proportion of complaints were solely about the scheme's findings or decisions, including determinations and jurisdictional decisions.

Under clauses 8 and 9 of the Independent Assessor's Terms of Reference, I cannot consider the merits of a decision or finding. Therefore, complaints that were solely about decisions or findings were ruled outside my jurisdiction to consider.

I received 13 complaints from financial firms, an increase of 60% (8) compared to 2019–2020. These included complaints about case progression delays, AFCA staff being discourteous and a failure to answer questions. Financial firm complaints that were outside my Terms of Reference included complaints about case fees and jurisdictional decisions.

Findings

A total of 192 complaints were closed during the financial year. I completed and issued 61 assessments.

One hundred and twenty-five complaints were closed because they were outside my Terms of Reference to consider. Six complaints were withdrawn at the complainant's request, or because they did not respond to an information request or other correspondence.

Complaints were outside my jurisdiction if they were solely about the merits of a decision or finding, or the complaint against the financial firm or a service complaint to AFCA had not been finalised (or submitted yet).

Complaints that were outside the Terms of Reference because the original complaint against the financial firm was ongoing, or a service complaint to AFCA had not been made, or was ongoing, may be resubmitted if the complainant remained dissatisfied with the service received once the other processes were completed.

Proportion of complaints closed as a result of assessment or outside Terms of Reference ruling

	2019–20	2020–21
Assessment	60	61
Closed as outside Terms of Reference/withdrawn/failure to respond	108	131

Outside Terms of Reference rulings

	2019–20	2020–21
Complaint not yet made to AFCA	26	41
Merits-based complaint	16	34
Open financial firm complaint	46 ¹	25
AFCA service complaint in progress		15
Other reason	10	9
Time period expired	4	1

¹ The 'ongoing/open complaint with a financial firm or AFCA service complaint' category was separated this year to capture whether it was the complaint about the financial firm that was open and ongoing, or the AFCA service complaint.

Just over half (32 of 61) of all assessments found at least some element of a complaint was substantiated. Some examples of complaints that were substantiated are:

- delays in progressing a complaint against a financial firm
- delay in responding to a complaint about AFCA's customer service
- failure to provide updates on the progression of a complaint against a financial firm or AFCA service complaint
- failure to respond to reasonable questions or information requests
- provision of poor quality, incorrect or confusing information.

Recommendations

When a complaint is substantiated, I may make a recommendation to AFCA's Chief Ombudsman that AFCA offer an apology, pay compensation for any distress or inconvenience caused by the poor service (non-financial loss) or take other action.

During the 2020–2021 financial year, I recommended AFCA apologise to 29 complainants for service failings, and pay a total of \$13,650 non-financial compensation. In three instances I recommended that AFCA take other action, such as referring a request for copies of case file documentation to AFCA's Privacy Manager, exchanging a financial firm's submission with the complainant and responding to outstanding questions about a determination. AFCA accepted and actioned all recommendations in full.

In addition to the recommendations made in response to individual complaints, I also make business-improvement recommendations to AFCA under clause 3 of the Independent Assessor Terms of Reference. In 2020–2021, these included that AFCA review its policies, procedures and training for handling requests by a party that documentation not be exchanged with the other party, and that AFCA be more proactive in communicating the timing and reasons to complainants for reallocations of a complaint to a new case worker.

Reporting

I reported quarterly to AFCA's Board. I also liaised with, reported to and/or met with representatives from AFCA and met with Treasury regarding Treasury's Independent Review of AFCA.

In conclusion

Complaints to the Independent Assessor have steadily increased since AFCA commenced in November 2018.

During 2020–2021, my office worked with AFCA's Business Intelligence and Analytics Team to improve (and largely automate) the collation and analysis of complaint data and statistics.

I would like to thank AFCA's management and staff for the cooperative and professional manner with which they have interacted with me and my office. I would also like to thank the individual complainants for taking the time to bring their complaints to me.

Melissa Dwyer

The Independent Assessor of the Australian Financial Complaints Authority

Corporate information



AFCA Board

AFCA is governed by an independent Board of Directors.

The Board of Directors consists of an independent Chair and an equal number of Directors with consumer and industry expertise.

The Board exercises its powers with a focus on ensuring the independence, integrity and fairness of AFCA's decision-making process is maintained. The Board also makes sure that AFCA is appropriately resourced to deliver our services in a timely, efficient and effective manner.

The Board is responsible for appointing an independent Chief Ombudsman and CEO, who is delegated authority for the day-to-day management of AFCA by the Board.

The Board also appoints ombudsmen, adjudicators and panel members who make decisions on complaints dealt with by AFCA.

In 2020–21, the Board met six times, in accordance with its scheduled meetings.

On 17 May 2021, the Board of Directors announced the appointment of Professor John Pollaers OAM as the next Independent Chair.

Professor Pollaers' appointment follows the end of the Hon Helen Coonan's term of office as AFCA's inaugural Chair.

Corporate governance

AFCA prides itself on independence, integrity and transparency in all aspects of its operations, and applies the principles of good corporate governance to the running of the company.

We consider that the ASX Corporate Governance Principles and Recommendations, 4th edition, sets the benchmark for a high standard of corporate governance in Australia.

Although AFCA is not a listed entity, we consider the principles, to the extent that they apply to us, a useful benchmark.

This section explains how we apply these principles and recommendations, issued by the ASX Corporate Governance Council, to our organisation.

Principle 1: Lay solid foundations for management and oversight

Functions reserved by the Board and those delegated to management.

Since the inception of the company, the AFCA Board has adopted a Charter that governs its operations and clearly delineates the responsibilities of the Board and senior management.

The role of the Board is to monitor our performance, provide direction to the Chief Ombudsman and CEO on policy matters, set the budget and, from time to time, review the Terms of Reference, including our jurisdictional limits.

The Board does not involve itself in the detail of complaints lodged with us.

During the year, the Board had the following committees to assist it in its role:

- Audit and Risk
- Information Technology and Digital Transformation
- Nominations
- People and Remuneration

Appointment of Directors

The Nominations Committee Charter sets out the process to be followed by the Board when appointing or reappointing Directors and other Board appointees.

Written terms of appointment

Written agreements set out the terms of each appointment of our Board Directors and senior executives.

Direct accountability of Company Secretary to Board for proper functioning of the Board

As set out in the Board Charter, our Company Secretary is appointed by, and accountable to, the Board and may advise the Chair, the Board, its committees and individual Directors on matters of governance process.

Diversity policy

AFCA is committed to ensuring the integration of the principles of equal opportunity for all staff. Our commitment to diversity in the workplace is set out in our Diversity Inclusion Policy and Procedure and regular diversity reporting.

Evaluation of performance of AFCA Board

The Nominations Committee of the Board ensures a robust system of performance evaluation is in place for Board appointees and the Board itself.

An external performance evaluation was undertaken in late 2019, and will be repeated every three years.

Evaluation of performance of AFCA senior management

Since we began operating in 2018, all employees, including senior managers, have been subject to a performance evaluation process. The line manager of an employee conducts the performance evaluation, with the Chief Ombudsman and CEO responsible for the performance evaluation of the senior managers reporting to him. The Chair of the Board conducts the performance evaluation of the Chief Ombudsman and CEO.

Principle 2: Structure the Board to be effective and add value

AFCA Board Independent Chair

- Professor John Pollaers OAM (from 15 May 2021) – MBA, BCompSc, BEE (Hons)
- The Hon Helen Coonan (to 14 May 2021) – BA, LLB

Consumer Directors

- Carmel Franklin – BEd, Dip (Financial counselling)
- Elissa Freeman – BA, GAICD
- Erin Turner – BA, MPP, GAICD
- Alan Wein – LLB, PRI-Med-NMAS

Industry Directors

- Jennifer Darbyshire – BA, LLB (Hons), LLM, FAICD
- Andrew Fairley – AM LLB (Melb) Hon Doc (Deakin) FAICD
- Claire Mackay – BCom, LLB, LLM, GAICD
- Johanna Turner – BA, LLB, GAICD

Company Secretary

- Anna Campbell – BA (Hons), LLB, Dip Legal Practice, FGIA

Board bios

Independent Chair

Professor John Pollaers OAM

Appointed Independent Chair of the Australian Financial Complaints Authority on 15 May 2021, Professor John Pollaers OAM is an eminent international Chair, Chief Executive and Non-Executive Director. John brings a unique set of experience and insights to his role at AFCA, gained in his many years as a distinguished leader across a range of multi-dimensional and complex industries including consumer products and advanced manufacturing. He has been chief executive and director of major companies, including Foster's Group Limited and Pacific Brands, where he regenerated the company culture, and was recognised as further simplifying the business model and successfully driving performance of key functions.

Responsible for leading several successful company turnarounds in the face of difficult industry circumstances, John is highly effective in leading organisations operating in ambiguous, unpredictable and sensitive environments. He has been instrumental in building close engagement with the government and media across a range of complex and dynamic industries, notably as founding chair of the Australian Advanced Manufacturing Council and chair of the Australian Industry and Skills Committee, and as a member of the Prime Minister's Industry 4.0 Taskforce.

Socially minded, John thrives on contributing to much needed debates on a range of issues facing society. He speaks widely on the issues of skills development, the imperatives of 21st-century global business, and the necessity of building meaningful collaboration between research and industry. John is also driven by a passion to harness the benefits of technology and data to make radical, positive change to communities and industries to improve our society.

John holds an MBA from INSEAD and Macquarie University, as well as degrees in Electrical

Engineering and Computer Science. He was awarded the Medal of the Order of Australia (OAM) in June 2018, for service to the manufacturing sector, to education and to business. He is also currently the Chancellor of Swinburne University of Technology in Melbourne.

The Hon Helen Coonan (Chair) – BA, LLB (term ended 14 May 2021)

Helen Coonan was appointed as the inaugural Independent Chair by the Minister for Revenue and Financial Services on 4 May 2018 and ended her term as Chair on 14 May 2021. Helen was a former Australian Government Cabinet Minister for Communications, Minister for Revenue and Assistant Treasurer. She is a commercial lawyer and trained mediator with a track record of leading stakeholders through major economic reforms and handling complex policy settings.

Helen's other appointments, both past and present, include: Chair of Crown Resorts Limited, Chair of the Minerals Council of Australia (MCA), Chair of Placemaking NSW Advisory Committee, Chair of GRACosway Pty Limited, Chair of boutique fund manager, Supervised Investments Australia Limited, and a member of the Advisory Council of J.P. Morgan, Chair of the Crown Resorts Foundation, Non-Executive Director of the Australian Children's Television Foundation (ACTF), a member of the Board of Advice for Aon Australia, Chair of HGL Limited and a non-executive director of Snowy Hydro Limited.

Consumer Directors

Carmel Franklin – BEd, Dip (Financial Counselling)

Carmel Franklin was appointed to the inaugural Board on 4 May 2018. She is a former consumers' director of the Financial Ombudsman Service Limited.

Carmel has been the CEO of Care Financial Counselling and the Consumer Law Centre of the ACT for over 12 years.

She has been involved with consumer issues for a number of years, including as the Chair of Financial Counselling Australia, and as a board member on the ACT Gambling and Racing Commission.

In addition, Carmel was previously on the Board of Canberra Community Law, is a former member of the ASIC Consumer Advisory Panel, the FOS Consumer Liaison Group and the Energy Consumer's Australia Board Reference Committee.

Elissa Freeman – BA, GAICD

Elissa Freeman was appointed to the inaugural Board on 4 May 2018. She is a former consumers' director of the Financial Ombudsman Service Limited.

Elissa has advocated for consumers' rights in the financial services, telecommunications, and energy and water industries in her roles at CHOICE, the Australian Communications Consumer Action Network and the Public Interest Advocacy Centre. She also led a major investigation into residential mortgage prices at the Australian Competition and Consumer Commission.

Elissa was previously Chair of the Financial Rights Legal Centre and a member of ASIC's Consumer Advisory Panel. She is currently a Director of the Financial Adviser Standards and Ethics Authority.

Erin Turner – BA, MPP, GAICD

Erin Turner was appointed a consumers' director by the Minister for Revenue and Financial Services on 4 May 2018.

Erin is the Director of Campaigns and Communications at CHOICE and the Chair of the Financial Rights Legal Centre.

She represents consumer interests on the ACCC Consumer Consultative Committee and has previously represented consumer interests on the ACMA Consumer Consultative Forum and the ASIC Consumer Advisory Panel.

Erin regularly appears in the media to advocate for consumers using financial services and to educate them on their rights.

Alan Wein – LLB, PRI-Med-NMAS

Alan Wein was appointed a consumers' director by the Minister for Revenue and Financial Services on 4 May 2018.

Alan is a skilled lawyer, experienced mediator and advocate for small- and medium-sized businesses. He was a former Adjunct Professor at RMIT's Business Management School and was a director of House Franchised Concept, House Homewares.

He was appointed the inaugural chair of the Victorian Government Small Business Advisory Council 2000, and the inaugural chair of Victorian Governments COVID-19 CTRS Administration Committee in 2020. He was the business delegate on the Victorian Government Infrastructure Planning Council.

Alan is a member of the Resolution Institute (Office of Franchise Mediation Advisor – OFMA) and the Law Institute of Victoria. He is also a senior panel mediator on the Victorian Office of the Small Business Commissioner (VSBC).

Alan conducted the Federal Government Review of the Franchise Code of Conduct and Regulatory Framework in 2013 and, in 2015, Alan was again appointed by the Federal Government to conduct a review of the Regulatory Framework in the Horticulture Code of Conduct. Finally, in 2016, Alan was involved in advising the Federal Government in Unfair Contracts legislation.

Industry Directors

Jennifer Darbyshire – BA, LLB (Hons), LLM, FAICD

Jennifer Darbyshire was appointed to the inaugural Board on 4 May 2018. She is a former industry director of the Financial Ombudsman Service Limited.

Jennifer has extensive senior executive experience in governance, law, conduct risk and regulatory risk across a range of sectors and in a variety of roles and organisations, including international experience on two separate occasions.

Jennifer worked at the National Australia Bank until September 2020, where her roles included EGM Conduct & Regulatory Risk, General Counsel Governance and General Counsel Corporate (including eight months as Acting Group General Counsel).

She also previously worked in private legal practice (including King & Wood Mallesons in Melbourne, and Linklaters in London).

Jennifer currently sits on the Boards of the Melbourne International Jazz Festival and the Melbourne Theatre Company Foundation. Previous directorships include Heide Museum of Modern Art (chair), St Vincent's & Mercy Private Hospital and St Vincent's Advisory Council Melbourne.

Andrew Fairley – AM LLB (Melb) Hon Doc (Deakin) FAICD

Andrew Fairley AM was appointed as an industry director by the Minister for Revenue and Financial Services on the 4 May 2018.

He is an equity lawyer consulting to Hall & Wilcox, with over 40 years' experience in superannuation. He is also a Director of Qualitas Securities Pty Ltd, and has been named as one of Australia's leading superannuation lawyers by the AFR every year since 2013. He founded the Law Council of Australia Superannuation Committee and served as its chair for 10 years.

Previously, Andrew was the independent chair of Togethr Trustees, a company that acts as Trustee for Equipsuper and Catholic Super. These funds have combined assets under management of \$30b and 150,000 members.

He is very involved in philanthropy and is Chair of The Sir Andrew Fairley Foundation and the Foundation for Alcohol Research & Education. Andrew is also Deputy Chair of the Mornington Peninsula Foundation, and is a past chair of Parks Victoria and former deputy chair of Tourism Australia.

Claire Mackay – BCom, LLB, LLM, GAICD

Claire Mackay was appointed an industry director by the Minister for Revenue and Financial Services on 4 May 2018.

Claire is a Director and Principal Adviser at Quantum Financial and is a Fellow Chartered Accountant, Certified Financial Planner, Chartered Tax Analyst and a Self-Managed Superannuation Fund specialist. Previously, Claire held roles at Macquarie Bank and PwC.

Claire is a Director of the Accounting Professional & Ethical Standards Board.

Her current appointments include an adviser for the RMIT School of Accounting Program Advisory Committee, a member of the FPA Professional Standards and Conduct Committee, and the Finance Audit and Compliance Committee for Surf Lifesaving NSW.

As the owner of an independent financial services business, Claire regularly engages with other business owners and smaller financial firm operators in industry forums and conferences.

Johanna Turner – BA, LLB, GAICD

Johanna was appointed to the inaugural Board on 4 May 2018. She is a former industry director of the Financial Ombudsman Service Limited.

Johanna has gained extensive executive experience in the financial services industry over the past 25 years, working in domestic and international banks, exchanges and regulatory bodies. She has expertise in risk management, compliance, regulation, policy and corporate governance.

As a managing director of Citibank, Johanna held the positions of chief risk officer and chief country compliance officer. She also held senior roles at Macquarie Bank, the Australian Stock Exchange, the Sydney Futures Exchange and ASIC.

Johanna is an independent compliance committee member for organisations including Schrodgers, Blackrock and Perpetual. She is also an Advisory Council member for Skyjed, a regtech company, and Chair of the Australian Financial Markets Association Professionalism Committee.

Johanna was previously a member on the ASIC Financial Services and Credit Panel.

Company Secretary

Anna Campbell – BA (Hons), LLB, Dip Legal Practice, FGIA

Anna Campbell joined AFCA as General Counsel in November 2019, and is an experienced senior executive with cross-sector and regulatory expertise. Anna’s extensive knowledge of financial services means she is uniquely positioned to provide expert advice to AFCA on complex legal matters, corporate governance and risk management.

Anna was previously general manager of Enterprise Compliance at ASX, where she was responsible for the ASX Group’s regulatory assurance function, involving Corporations Act licensing obligations, Trade Practices Act requirements and other statutory obligations.

Anna also held the role of deputy general counsel at ASX for nine years, after joining the ASX from Allianz where she was acting general counsel. She has worked as a lawyer in both the private and public sectors and exhibits a breadth of experience in providing expert instruction on a range of matters. Anna is a highly effective operative in developing and leading organisational approaches to management, corporate governance, risk management and stakeholder management.

Disclosures regarding Nominations and Remuneration Committee

The Nominations Committee is composed of the Chair of the Board, the Chair of the Audit Committee, and the Chair of the People, and Remuneration Committee and may be extended with other Directors as required. The People and Remuneration Committee is composed of two industry Directors and two consumer Directors, any one of whom may be appointed Chair. This composition satisfies the constitutional requirements for Board committees to maintain equal membership between industry and consumer Directors.

The following tables set out the meetings and attendances for the Nominations Committee and the People and Remuneration Committee in 2020–21.

People and Remuneration Committee

	Actual attendance	Eligible to attend
H Coonan		
J Darbyshire	5	5
A Fairley	-	-
C Franklin	-	-
E Freeman	5	5
C Mackay	5	5
A Wein	4	5

Nominations Committee

	Actual attendance	Eligible to attend
H Coonan	4	4
J Darbyshire	4	4
A Fairley	5	5
C Franklin	4	4
E Freeman	5	5
C Mackay	-	-
A Wein	-	-

Skills matrix of the AFCA Board of Directors

The Board Charter states that examples of the core technical competencies that should be found across the Board include:

- accounting and finance (Directors who have expertise in financial accounting)
- business judgment (Directors who have a record of making good business decisions)
- governance (Directors who understand and keep abreast of good governance practices)
- knowledge of consumer issues and needs (Directors with appropriate and relevant consumer movement knowledge and experience)
- industry knowledge (Directors with appropriate and relevant industry-specific knowledge and experience)
- knowledge of internal and EDR
- human resource management (Directors who have experience and interests in human resource management and staff welfare).

Independent Directors

The Chair is required by our Constitution to be independent, and our Board Charter prohibits a single individual from occupying the roles of Chair, and Chief Ombudsman and CEO.

Our Board is composed of individuals with expertise and knowledge as required by our Constitution. There are no executive directors.

While the Directors, with the exception of the Chair, are required to represent the interests of industry or consumers, each understands their legal obligation as a Director to put the best interests of AFCA before those of their own 'constituents'.

Induction and training of Directors

On appointment, each Director is provided with a comprehensive induction to AFCA and our operations. The Directors are also permitted to request and receive all reasonable training necessary for them to perform their role as Directors effectively, and a suitable budget has been allowed for this to occur.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Code of Conduct

The standards of behaviour expected of our Directors and employees are set out in the Board Charter; Engagement Charter; our Code of Conduct; and our values, which are Fair and Independent, Transparent and Accountable, Honest and Respectful, and Proactive and Customer Focused.

Principle 4: Safeguard the integrity of corporate reports

Audit and Risk Committee

The functions of an audit committee are carried out by the Audit and Risk Committee. Since its inception in 2018, the committee has had a formal Charter governing its area of responsibility.

The following table sets out the meetings and attendances for the Audit and Risk Committee in 2020–21.

Audit and Risk Committee

	Actual attendance	Eligible to attend
A Fairley	4	4
C Franklin	4	4
E Turner	4	4
J Turner	4	4

CEO and CFO declarations

Prior to the Board approving the annual financial reports contained within AFCA's General Purpose Financial Report, the Board receives from the Chief Ombudsman and CEO, and Head of Finance a declaration that, in their opinion, the financial records have been properly maintained and that the financial statements comply with appropriate accounting standards.

These declarations also state that the financial statements give a true and fair view of AFCA's financial position and performance, and that these opinions have been formed on the basis of a sound system of risk management and internal control that is operating effectively.

Attendance of the external auditor at the Annual General Meeting

The external auditor receives an invitation to attend each Annual General Meeting, but attendance has not, to date, been required by the membership.

Principle 5: Make timely and balanced disclosure

Disclosure Policy

This principle applies to companies that are subject to the ASX Listing Rule disclosure requirements and, as such, has no direct relevance to AFCA. However, we have various policies and procedures that, in combination, cover many of the same areas as the recommended Disclosure Policy, and we are committed to open and transparent communication with our stakeholders.

Principle 6: Respect the rights of security holders

As a public company limited by guarantee, we do not have shareholders. As a result, this principle has no direct relevance to us. However, we are committed to respecting the rights of our stakeholders, particularly the financial firms that are members of the scheme and consumers who use the service.

Information about AFCA and its governance

Information about us can be found on our website (afca.org.au), by email (info@afca.org.au), or by telephone 1800 367 287, free call (1800 AFCA AUS) or 1300 56 55 62 for members.

Meetings of stakeholders

The Annual General Meeting is held and run in accordance with the Corporations Act and our Constitution. Our Stakeholder Engagement Strategy encourages participation at general stakeholder meetings.

Principle 7: Recognise and manage risk

Oversight of risk

While ultimate responsibility for risk oversight and risk management rests with the full Board, the Audit and Risk Committee has oversight of these activities and the Senior Leadership Group has day-to-day operational responsibility for risk oversight and management.

AFCA has implemented a risk management framework aligned with Australian Standard AS ISO 31000:2018 (Risk Management – Guidelines). In accordance with this framework, we conduct regular risk workshops and reviews to ensure our risk register, controls and mitigations consider and effectively respond to changes to the internal and external environment and remain current.

AFCA's risk management framework is underpinned with a strong risk culture and mandatory risk training.

Risk appetite statements that have been established by AFCA for its material risk are supported by quantifiable metrics. There is regular oversight and reporting of any metric that is outside agreed tolerance levels.

Risk management within AFCA is overseen by the Board and the Audit and Risk Committee, with regular quarterly reporting and an annual risk workshop to consider AFCA's risk profile and operating environment.

Material exposure

At the time of publication, we have no known material exposure to any economic, environmental or social sustainability risks.

Principle 8: Remunerate fairly and responsibly

Remuneration committee

The main functions of a remuneration committee are performed by the People and Remuneration Committee.

The Board sets its remuneration in accordance with clause 4.9 of our Constitution and on advice from the People and Remuneration Committee.

The Board also sets the remuneration of the Chief Ombudsman and CEO.

Responsibility for the company's remuneration, recruitment, retention and termination policies for all other employees has been delegated to the Chief Ombudsman and CEO, but significant changes to these policies are ratified by the Board.

The remaining aspects of this principle are applicable to companies that are subject to the ASX Listing Rules and, as such, have no relevance to AFCA.

Remuneration of Non-Executive Directors and executive Directors

All our Directors are Non-Executive Directors and, aside from the Chair, are paid equally.

Equity-based remuneration

We do not offer equity-based remuneration to any employee.

AFCA General Purpose Financial Report 2021

For the financial year ended 30 June 2021



Competitive pressures, aging domestic consumers, margin/growth pressures and a saturated domestic market internationally. The flattening of the global economy through new technologies is flattening the trend, which means on a global scale that was once thought to be too complex.

Public relations (PR):
Public Relations is about reputation/brand identity - the result of what you do, what you say and what you believe, with the aim of earning understanding and support and influencing opinion and behaviour. It is about building and general understanding between an organisation and the general public.

Word of mouth or via voice, is the passing of information from person to person. "Staying in a common form of word of mouth where people are talking about a product or service. It's something, as people like to know it has been tried and tested."

As this point in the game, not having an active social media presence is kind of like pulling out a flip phone at a business meeting. It's not going to help you get the new accounts.

But some people still own flip phones, and some people dig in their heels and say, what is social media marketing going to do -- and here are some of the most compelling reasons why:

The internet and social media provide young people with a range of benefits, and opportunities to empower themselves in a way that wasn't possible before. It allows them to connect with like-minded people, and access more information than ever before.



Directors' Report

The Australian Financial Complaints Authority Limited ("AFCA") submits herewith the annual financial report of the company from 1 July 2020 to 30 June 2021, consistent with the provisions of the *Corporations Act 2001* (Cth).

Principal activities

AFCA is a not-for-profit company limited by guarantee, with its principal activity being the external dispute resolution (EDR) provider for the financial services industry in Australia.

Company objectives

Purpose

The mission of AFCA is to provide fair, independent and effective solutions for financial disputes.

Vision

AFCA's vision is to be a world class ombudsman service

- Raising standards and minimising disputes
- Meeting diverse community needs and
- Trusted by all.

Authorisation of AFCA

The Minister for Revenue and Financial Services authorised AFCA to operate the AFCA EDR scheme in April 2018, with a commencement date of 1 November 2018.

The Board of Directors

Please refer to page 109 for information about AFCA's Board.

Board Committees

The Board Committees play an important role to assist the Board in its decision-making processes. The standing Board Committees are:

- Audit and Risk Committee
- Digital Transformation Committee
- Nominations and Remuneration Committee
- People and Remuneration Committee

Board member attendance

The number of Directors' meetings and number of meetings attended by each of the directors of the company during the financial year is set out in the tables below.

	Full Board		Full Board – Restricted Agenda Board meetings		Audit and Risk Committee	
	Actual	Eligible	Actual	Eligible	Actual	Eligible
J Pollaers	1	1	1	1	-	-
H Coonan	4	4	3	3	-	-
J Darbyshire	6	6	4	4	-	-
A Fairley	6	6	4	4	4	4
C Franklin	6	6	4	4	4	4
E Freeman	5	6	4	4	-	-
C Mackay	6	6	4	4	-	-
E Turner	6	6	4	4	4	4
J Turner	6	6	4	4	4	4
A Wein	6	6	4	4	-	-

	DT Committee		People and Remuneration Committee		Nominations Committee	
	Actual	Eligible	Actual	Eligible	Actual	Eligible
J Pollaers	-	-	-	-	-	-
H Coonan	-	-	4	4	-	-
J Darbyshire	-	-	5	5	4	4
A Fairley	-	-	-	-	5	5
C Franklin	-	-	-	-	4	4
E Freeman	-	-	5	5	5	5
C Mackay	2	2	5	5	-	-
E Turner	2	2	-	-	-	-
J Turner	-	-	-	-	-	-
A Wein	-	-	4	5	-	-

Company Overview

Background

The company was incorporated on 17 July 2017 with the objective of presenting an application to operate the external dispute resolution (EDR) scheme for the financial services industry mandated by the *Treasury Laws Amendment (Putting Consumers First - Establishment of the Australian Financial Complaints Authority) Act 2017*.

Memberships

There were 10,585 active financial firms and 30,175 active Authorised Credit Representative members registered at 30 June 2021.

Operating result

The net surplus for the year from 1 July 2020 to 30 June 2021 is \$3,472,354 and total accumulated funds amount to \$36,386,730. A one-off \$1,118,828.65 windfall benefit has been recognised between 1 July 2020 to 30 June 2021, contributing to the FY2020–21 net surplus relating to the negotiation and release of makegood obligations for the previous 717 Bourke Street premises.

Complaint numbers

AFCA received 70,510 complaints between 1 July 2020 and 30 June 2021, which is a 12% decrease in monthly complaints compared to the last financial year (FY19–20). AFCA has received 197,964 complaints since commencing on 1 November 2018. In 2020–21, AFCA also closed three FOS complaints and 14 CIO complaints that were transferred to AFCA.

Legacy complaints

In response to the Royal Commission, the government announced that AFCA's jurisdiction would be expanded to enable it to assess legacy complaints (that is, complaints involving firms dating back to 1 January 2008). AFCA received 2,129 complaints under this jurisdiction, and as at 30 June 2021 there were 231 open legacy complaints spread across most product areas, with the majority in banking.

COVID-19

Since the virus was declared a pandemic on 11 March 2020, AFCA has received 13,316 complaints relating to COVID-19 to the end of 30 June 2021.

Subsequent events

As at 30 June 2021, while the financial impacts of COVID-19 continue within the wider economy, these impacts have not been materially detrimental to the company.

It is noted that uncertainty remains as to the longer-term COVID-19 impacts on AFCA, its members and consumers. As such, the Directors of the company acknowledge that economic events and conditions in the future may be materially different from those currently estimated at reporting date, and these may impact the company and its operations.

However, as at the end of the financial year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature that, in the opinion of the Directors of the company, would significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Indemnification and insurance of officers

The company has agreed to indemnify the current and former Directors and secretaries of the company against all liabilities to another person (other than the company) that may arise from their position as Directors or secretaries of the company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any such liabilities, including costs and expenses.

Under the terms of the agreements entered into, the company has agreed to indemnify the adjudicators, panel members and ombudsmen for all liabilities to another person (other than the company) that may arise from their position in the company except, where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any such liabilities, including legal fees.

The company has paid insurance premiums in respect of the Directors' and Officers' Liability and Legal Expenses Insurance contracts for officers of the company. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal, and whatever their outcome; and
- other liabilities that may arise from their position, except conduct involving wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of premiums paid in respect of individual officers of the company.

During, or since, the end of the financial period, the company has not otherwise indemnified or agreed to indemnify any officer or auditor of the company against a liability incurred as such an officer or auditor.

Members' Guarantee

The company is a public company limited by guarantee incorporated in Australia. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$100 each towards meeting any outstanding obligations of the company.

At 30 June 2021, the maximum total members' contribution is \$4,076,000 if the company is wound up.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 121.

Directors' Declaration

For the financial year ended 30 June 2021, the Directors declare that:

- a) the financial statements and notes, as set out on pages page 124 to 143 , are in accordance with the *Corporations Act 2001* and:
 - i. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - ii. give a true and fair view of the financial position as at 30 June 2021 and the performance for the year ended on that date of the company.
- b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the *Corporations Act 2001*.



Director

On behalf of the Directors

Dated at Sydney this 3rd day of September 2021

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY LIMITED**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2021, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



RYAN LEEMON
Partner
Audit and Assurance

Melbourne, Victoria

3 September 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY LIMITED****Opinion**

We have audited the accompanying financial report of Australian Financial Complaints Authority Limited (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Company.

In our opinion:

- a. the financial report of Australian Financial Complaints Authority Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2021 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*;

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements with Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report of the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001, and for such internal control as the directors determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



RYAN LEEMON
Partner
Audit and Assurance

Melbourne, Victoria

3 September 2021

Statement of Profit or Loss and other comprehensive income for the year ended 30 June 2021

	Notes	Year ending 30 June 2021	Year ending 30 June 2020
Revenue	2	128,665,050	123,815,520
Employee benefits expense		(97,900,904)	(100,836,411)
Office costs		(1,027,677)	(1,160,165)
Communication & Stakeholder relations expenses		(1,076,073)	(2,510,534)
Interest expense on leases	6	(2,717,834)	(378,994)
Occupancy expenses		(3,710,066)	(8,630,926)
Board expenses		(747,695)	(875,674)
Impairment losses on financial assets		(1,284,910)	(2,903,977)
Insurance expenses		(156,839)	(124,333)
Professional assistance expenses		(3,633,751)	(2,524,645)
Depreciation & amortisation expense		(8,944,565)	(2,976,507)
Free decisions provided to members		(71,054)	(828,650)
Technology expenses		(3,809,030)	(5,374,525)
Other expenses		(112,299)	(155,102)
Surplus / (Deficit) before tax		3,472,353	(5,464,923)
Income tax expense		-	-
Surplus / (Deficit) for the period		3,472,353	(5,464,923)
Other comprehensive income		-	-
Total comprehensive income		3,472,353	(5,464,923)

Notes to and forming part of the financial statements are included on pages 128 to 143.

Statement of Financial Position as at 30 June 2021

	Notes	2021	2020
Current Assets			
Cash and cash equivalents	16 (i)	8,580,728	26,073,236
Trade receivables, prepayments & other debtors	3	26,211,262	25,570,052
Other financial assets	4	20,000,000	-
Total Current Assets		54,791,990	51,643,288
Non-Current Assets			
Property, plant and equipment	5	6,208,638	3,973,304
Right of Use Assets	6	75,544,404	12,753,883
Total Non-Current Assets		81,753,042	16,727,187
Total Assets		136,545,032	68,370,475

	Notes	2021	2020
Current Liabilities			
Accounts payable and other payables	7	7,359,918	7,633,146
Lease Liabilities	8	4,911,495	752,286
Provisions	9	11,347,569	13,269,882
Total Current Liabilities		23,618,981	21,655,314
Non-Current Liabilities			
Lease Liabilities	8	72,907,220	11,925,614
Provisions	9	3,632,101	1,875,170
Total Non-Current Liabilities		76,539,321	13,800,784
Total Liabilities		100,158,302	35,456,098
Net Assets			
Accumulated Funds	20	36,386,730	32,914,377
Total Accumulated Funds		36,386,730	32,914,377

Notes to and forming part of the financial statements are included on pages 128 to 143.

Statement of Changes in Equity for the year ended 30 June 2021

2021	Notes	Equity from previous EDR scheme	Retained earnings	Total
Balance as 1 July 2020		44,862,983	(11,948,606)	32,914,377
Surplus for the period		-	3,472,353	3,472,353
Balance at 30 June 2021		44,862,983	(8,476,253)	36,386,730

2020	Notes	Equity from previous EDR scheme	Retained earnings	Total
Balance as 1 July 2019		43,528,057	(6,483,683)	37,044,374
Deficit for the period		-	(5,464,923)	(5,464,923)
Net Assets Transferred from Credit & Investments Ombudsman		1,334,926	-	1,334,926
Balance at 30 June 2020		44,862,983	(11,948,606)	32,914,377

Notes to and forming part of the financial statements are included on pages 128 to 143.

Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021	2020
Cash Flows from Operating Activities			
Receipts from members and others		139,944,327	
Interest received		135,795	
Payments to suppliers and employees		(126,025,191)	
Lease Interest		(2,717,834)	
Net cash provided by / (used in) operating activities	16 (ii)	11,337,097	(7,048,038)
Cash Flow from Investing Activities			
Payment for property plant and equipment		(3,962,988)	(1,558,421)
Redemption / (Payment) for investments in term deposits		(20,000,000)	14,000,000
Proceeds from Sale of Equipment		-	36,364
Net cash provided by / (used in) investing activities		(23,962,988)	12,477,943
Cash Flow from Financing Activities			
Proceeds from predecessor external dispute resolution schemes		-	1,334,926
Payment of lease liability principal		(4,866,617)	(1,121,383)
Net cash provided by / (used in) financing activities		(4,866,617)	213,543
Cash and cash equivalents at the beginning of the financial period		26,073,236	20,429,788
Net increase in cash and cash equivalents		(17,492,509)	5,643,448
Cash and cash equivalents at the end of the financial period	16 (i)	8,580,728	26,073,236

Notes to and forming part of the financial statements are included on pages 128 to 143.

Notes to and forming part of the Financial Statements for the year ended 30 June 2021

Note 1: Summary of Significant Accounting Policies

Australian Financial Complaints Authority Limited (the company or “AFCA”) is a company limited by guarantee, incorporated and operating in Australia.

From 1 August 2020, Australian Financial Complaints Authority Limited’s new registered office and its principal place of business is:

Level 26 Wesley Place
130 Lonsdale Street
Melbourne Vic 3000

AFCA is a not-for-profit company limited by guarantee with its principal activity being an external dispute resolution provider for the financial services industry in Australia.

The Minister for Revenue and Financial Services authorised AFCA to operate the AFCA EDR scheme in April 2018, with a commencement date of 1 November 2018.

Between 1 May and 31 October 2018, AFCA was the operating entity of the External Dispute Resolution (EDR) service previously provided by the Financial Ombudsman Service (FOS), and received new complaints lodged under the FOS EDR scheme, and between 1 September 2018 and 31 October 2018 provided EDR services previously provided by the Credit and Investments Ombudsman (CIO), and received new complaints lodged under the CIO EDR scheme.

Statement of Compliance

The financial statements being general purpose financial statements have been prepared in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001*. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar. All amounts are presented in Australian dollars.

The financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

The financial statements were approved by the Directors and authorised for issue on 3 September 2021.

Accounting Policies

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Revenue

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer.
2. Identify the performance obligations.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognise revenue as and when control of the performance obligations is transferred.

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations; however, where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Company are:

Membership levies, Superannuation Levies and User Charges

Annual membership levies, superannuation levies and user charges are recorded as revenue in the financial year they relate to. Cash received from members for membership levies relating to the following financial year is treated as income received in advance.

Complaint fees and User Charges

Revenue from complaint fees and user charges is recorded on the basis of the stage of completion of the complaint to the extent revenue can be reliably measured and by taking into account any conditions specified in arrangements with specific members, explicit or implicit, regarding the complaint handling services.

Code monitoring

Code monitoring is recorded as revenue in the financial year monitoring activity is performed. Where cash received from code subscribers and industry associations remains unspent at the end of the financial year, it is treated as income received in advance as this is deemed to align with the performance obligations within the agreement.

Membership application fees

The membership application fee is a one-off contribution that is applicable to all new members. It is recorded as revenue in the financial year in which a new member applies to join the company.

Interest income

Interest income is recognised as using the effective interest method.

Grant Revenue

AFCA may receive grants where there are conditions to deliver economic value through the set-up of new complaint handling processes and support arrangements. As conditions are attached to the grant before AFCA is eligible to retain the contribution, the recognition of the grant as revenue is deferred until those conditions are satisfied.

(b) Property, plant and equipment and depreciation

Plant and equipment and leasehold improvements are stated at cost, less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Furniture and fittings	1–11 years
Computer hardware and software	3–5 years
Office equipment	1–5 years
Leasehold improvements	To expiry of lease term

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in profit or loss. Property, plant and equipment is assessed for impairment each year and an impairment loss is recognised when no future economic benefit will arise from the continued use of an asset.

Work in progress assets are in the course of construction for future use by AFCA and are carried at cost, less any recognised impairment loss. Depreciation of these assets will commence when the assets are ready for their intended use.

(c) Leases

Adoption of AASB 16

The Company has adopted AASB 16 Leases using the modified retrospective (cumulative catch-up) method from 1 July 2019.

The Company as a lessee

AFCA has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight-line basis.

At inception of a contract, AFCA assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by AFCA where AFCA is a lessee.

However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, AFCA uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned previously, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

(d) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when AFCA becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that AFCA commits itself to either the purchase or sale of the asset.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component, or if the practical expedient was applied as specified in *AASB 15: Revenue from Contracts with Customers*.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Financial assets

Financial assets are subsequently measured at amortised cost. Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- AFCA no longer controls the asset (i.e., it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

AFCA recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income; and
- contract assets.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

AFCA uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach; and
- the simplified approach.

General approach

Under the general approach, at each reporting period, AFCA assessed whether the financial instruments are credit impaired, and:

- if the credit risk of the financial instrument increased significantly since initial recognition, AFCA measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- if there was no significant increase in credit risk since initial recognition, AFCA measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions that are within the scope of *AASB 15: Revenue from Contracts with Customers*, and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience).

Recognition of expected credit losses in financial statements

At each reporting date, AFCA recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

(e) Impairment of Assets

At the end of each reporting period, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where the assets are not held primarily for their ability to generate net cash inflows – that is, they are specialised assets held for continuing use of their service capacity – the recoverable amounts are expected to be materially the same as fair value.

Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

(f) Employee Provisions

Short-term employee provisions

Provision is made for AFCA's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) where employees are eligible for settlement within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries, sick leave and annual leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee provisions

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on high-quality corporate bonds that have maturity dates that approximate the terms of the obligations.

Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee provisions expense.

AFCA's obligations for long-term employee benefits are presented as non-current employee provisions in its statement of financial position, except where AFCA does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current employee provisions.

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event; it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some, or all, of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

AFCA does not provide any defined benefits plans to employees.

(g) Cash and cash equivalents

Cash on hand includes deposits held at-call with banks and term deposits that have a maturity of less than three months.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- (i) where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of the asset or as part of an item of expense
- (ii) for receivables and payables that are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financial activities that is recoverable from, or payable to, the ATO is classified as operating cash flows.

(i) Income tax

The company has determined that it is an exempt entity under section 50-10 of the *Income Tax Assessment Act 1997*, and therefore, exempt from income tax.

(j) Intangible Assets

Software is recorded at cost. Where software is acquired at no cost, or for a nominal cost, the cost is its fair value, as at the date of acquisition. It has a finite life and is carried at cost less accumulated amortisation and any impairment losses. Software has an estimated useful life of between one and three years. It is assessed annually for impairment.

(k) Provisions

Provisions are recognised when AFCA has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(m) Accounts Payable and Other Payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by AFCA during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(n) Accumulated funds

As per section 2.3 of the company's constitution, upon winding up of the company, any excess funds shall not be paid to members, but shall be given or transferred to any organisation with similar purposes and which has rules prohibiting the distribution of its assets and income to its members.

(o) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within AFCA.

Key Judgments

Employee entitlements

Management judgment is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries
- future on cost rates, and
- experience of employee departures and period of service.

For the purpose of measurement, *AASB 119: Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. AFCA expects most employees will take their annual leave entitlements within 24 months of the reporting period in which they were earned, but this will not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements.

Long-term employee benefit provisions are measured at present value using discount rates by reference to market yields for high quality corporate bonds at the end of the reporting year.

Performance obligations under AASB 15 Revenue

To identify a performance obligation under AASB 15 Revenue, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgment to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised services. In making this assessment, AFCA management takes account of complaint handling activities for complaints that are currently lodged with AFCA and are in progress, in addition to other membership support services that are available to effective members during the current membership year.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

As described in note 1(b) the company reviews the estimated useful lives of property, plant and equipment at the end of each reporting year.

Employee entitlements

Expected future cash outflows are based on future salary increases, which are subject to multiple influences, including CPI inflation and salary increases within the financial services market.

Trade Receivables – Credit Losses

As described in note 1(d), various data is used to get an expected credit loss for trade receivables.

Credit losses arise from multiple AFCA members that are unable or unwilling to pay debts owing to AFCA. In addition to insolvency, the underlying reasons for this condition can vary significantly for each member, so determining whether a credit loss will occur is a key source of uncertainty. Under these circumstances, the volume of complaints and the extent of work that is required to resolve these complaints is also uncertain. This impacts on the value of credit losses that arise from the non-recovery of complaint fees.

Note 2: Revenue

Surplus/(Deficit) for the periods includes the following items of revenue:

Revenue	2021	2020
Complaint fees	96,435,275	92,898,861
Membership levies	27,337,971	25,010,751
Interest income	137,378	403,949
Government Grants	-	1,235,444
Code monitoring	4,618,189	4,266,515
Other sundry income	136,237	-
Balance as at 30 June	128,665,050	123,815,520

Note 3: Trade Receivables, Prepayments and Other Debtors

	2021	2020
Trade Receivables	16,498,890	15,932,949
Accrued income	13,492,490	11,978,951
Prepayments	2,195,860	1,365,638
Other Debtors	115,794	1,608,365
Provision for expected credit loss	(6,091,772)	(5,315,851)
Balance as at 30 June	26,211,262	25,570,052

The credit period for services rendered is 30 days. No interest is charged on overdue trade receivables. Trade receivables greater than 30 days are provided for based on estimated irrecoverable amounts from services rendered, determined by reference to past default experience.

AFCA assesses the credit worthiness of trade debtors on an individual debtor basis. Where an assessment is made that debts will not be recoverable from the debtor due to credit issues, credit losses are taken up at 100% of the balance owing to AFCA, including expected losses for open and unresolved complaints on hand.

AFCA always measures the loss allowance for accounts receivables at an amount equal to lifetime expected credit loss. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques used or significant assumptions made during the current reporting period.

AFCA writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery (e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings) or payment plans are not in place for debts older than 90 days, whichever occurs earlier.

Note 4: Other Financial Assets

Term Deposits of \$20,000,000 with a maturity of over three months were recognised as held to maturity assets as at 30 June 2021 (2020: nil).

Note 5: Property, Plant and Equipment

2021	Plant and Equipment	Leasehold improvements	Work in Progress	Total
Gross carrying amount				
Opening Balance	3,661,592	1,794,571	1,676,293	7,132,456
Additions – at cost	257,627	3,707,617	-	3,962,988
Transfers	-	1,588,993	(1,588,993)	-
Disposals	(59,742)	(49,465)	-	(109,208)
Balance at 30 June 2021	3,859,477	7,041,716	87,300	10,986,236
Accumulated Depreciation				
Opening Balance	1,578,523	1,580,630	-	3,159,153
Disposals	(45,715)	(32,007)	-	(77,722)
Depreciation expense	1,067,582	630,842	-	1,698,424
Balance at 30 June 2021	2,600,390	2,179,465	-	4,779,855
Book Value - 30 June 2021	1,259,087	4,862,251	87,300	6,208,381

2020	Plant and Equipment	Leasehold improvements	Work in Progress	Total
Gross carrying amount				
Opening Balance	2,336,393	1,535,148	1,793,891	5,665,432
Additions – at cost	1,416,596	259,423	(117,598)	1,558,421
Disposals	(91,397)	-	-	(91,397)
Balance at 30 June 2020	3,661,592	1,794,571	1,676,293	7,132,456
Accumulated Depreciation				
Opening Balance	528,342	725,440	-	1,253,782
Disposals	(22,237)	-	-	(22,237)
Depreciation expense	1,072,416	855,190	-	1,927,606
Balance at 30 June 2020	1,578,523	1,580,630	-	3,159,153
Book Value – 30 June 2020	2,083,070	213,941	1,676,293	3,973,304

Note 6: Right of Use Assets

Apart from short-term leases, AFCA has two leasehold buildings with terms of up to 11 years and an option to renew for a period of five years at 130 Lonsdale Street, Melbourne, and up to 10 years at 680 George Street, Sydney. Both these leases were recognised under *AASB 16 Leases*.

Right of use assets	2021	2020
AASB 16 amounts recognised in the Balance Sheet		
Right of Use Asset – Building & Leasehold Fit out	83,806,715	13,799,283
Accumulated Amortisation	(8,262,311)	(1,045,400)
Net Book Value	75,544,404	12,753,883

Movement in carrying amounts	2021	2020
Opening Balance	12,753,883	-
Recognised on commencement of new leases	70,007,432	13,799,283
Amortisation expense	(7,216,911)	(1,045,400)
Net Book Value	75,544,404	12,753,883

AASB 16 related amounts recognised in the statement of profit or loss	2021	2020
Amortisation charge related to right-of-use assets	7,216,911	1,045,400
Interest expense on lease liabilities	2,717,834	378,994
Makegood interest expense	36,912	16,225
Balance as at 30 June	9,971,657	1,440,619

Note 7: Accounts Payable & Other Payables

	2021	2020
Trade Payables and Accruals	4,371,480	5,685,173
Deferred Income	1,043,031	900,069
Amounts due to Australian Taxation Office	1,945,407	1,047,904
Balance as at 30 June	7,359,918	7,633,146

Trade payables consist of amounts owing for goods and services rendered that have a credit period not exceeding 30 days. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 8: Lease Liabilities

To be read in conjunction with Note: 6 Right of Use Assets

Lease liabilities – current

	2021	2020
Lease Liability – AASB 16 Leases	4,911,495	752,286
Balance as at 30 June	4,911,495	752,286

Lease liabilities – non-current

	2021	2020
Lease Liability – AASB 16 Leases	72,907,220	11,925,614
Balance as at 30 June	72,907,220	11,925,614

Note 9: Provisions

Provisions – Current

	2021	2020
Employee Benefits	11,347,568	11,372,015
Makegood Provision	-	1,781,868
Lease Liability	-	115,999
Balance as at 30 June	11,347,568	13,269,882

Provisions – Non-Current

	2021	2020
Employee Benefits	2,361,427	1,309,922
Makegood Provision	1,270,674	565,248
Balance as at 30 June	3,632,101	1,875,170

Note 10: Accumulated Funds

	2021	2020
Opening Balance	32,914,376	37,044,374
Net Assets Transferred from other EDR schemes	-	1,334,926
Net Surplus / (Deficit) for the year	3,472,354	(5,464,923)
Balance as at 30 June	36,386,730	32,914,377

Note 11: Remuneration of auditors

	2021	2020
(a) Auditing the Financial Report	46,500	43,000
(b) Other Audit Services	-	4,000
Total Remuneration of auditors	46,500	47,000

Note 12: Capital and Leasing Commitments

Non-cancellable Operating Lease Commitments

The 2020 commitments related to the new lease commitments at 30 June 2020, which commenced in 2021 (refer to Note: 6 Right of Use Assets) in addition to leases that were due to expire by 30 June 2021. Balances relating to 2021 are now disclosed in Note 8: Lease Liabilities.

	2021	2020
Payable – minimum lease commitments:		
Future operating lease rentals and rentals not provided for in the financial statements:		
Not longer than one year	-	2,170,906
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
Balance as at 30 June	-	2,170,906

Note 13: Contingent Assets

There are no contingent assets as at 30 June 2021.

Note 14: Contingent Liabilities

There are no contingent liabilities as at 30 June 2021.

Note 15: Members' Guarantee

The company is a public company limited by guarantee and incorporated in Australia. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$100 each towards meeting any outstanding obligations of the company. At 30 June 2021, the maximum total members' contribution was \$4,076,000 (2020: \$3,909,500) if it were required by the company at winding-up.

Note 16: Notes to the Cash Flow Statement

Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

(i) Cash and Cash Equivalents	2021	2020
Cash at bank – unrestricted	3,810,304	11,318,440
Term deposits – maturity three months or less	3,002,589	13,000,000
Cash at bank – held against bank guarantees	1,767,835	1,754,796
Balance as at 30 June	8,580,728	26,073,236

(ii) Reconciliation of deficit for the period to net cash flows from operating activities	2021	2020
Surplus / (Deficit) for the year	3,472,354	(5,464,923)
Depreciation & amortisation	8,944,564	2,976,507
Loss on sale of fixed assets	-	32,797
Provision for doubtful debts	775,921	3,064,120
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade debtors	(565,942)	(7,306,816)
Other debtors and prepayments	(851,191)	(4,255,664)
Increase/(decrease) in liabilities:		
Trade creditors & accruals	(416,191)	1,508,418
Deferred income & income received in advance	142,963	(1,462,435)
Provisions	(165,381)	3,859,958
Net cash from operating activities	11,337,097	(7,048,038)

Note 17: Financial Instruments Disclosure

(a) Financial risk management objectives

The company's finance department provides services to the business, coordinates access to domestic financial markets, and monitors and manages financial risks relating to the operations of the company.

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The finance department reports quarterly to the company's Audit & Risk Committee.

(b) Market risk

The company's activities expose it to the financial risks of changes in interest rates (refer note 17(d)). There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

(c) Foreign currency risk management

The company does not undertake foreign currency transactions.

(d) Interest rate risk management

The company does not borrow funds.

The company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for cash deposits at the reporting date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

The company's sensitivity to interest rates has increased during the current period mainly due to a decline in interest rates on variable rate cash deposits.

(e) Credit risk management

Trade receivables consist of a large number of members. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the company's liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows.

The company does not have any derivative financial liabilities or assets.

(g) Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Note 18: Key Management Personnel Compensation

Key management personnel includes:

- Chair of the Board, all Directors and the Company Secretary;
- the Chief Ombudsman and Chief Executive Officer, Deputy Chief Ombudsman, General Counsel, Chief Operating Officer, all Lead Ombudsman; and
- all Executive General Managers;

Directors	2021	2020
Short Term Employee Benefits	545,906	606,115
Post-Employment Benefits – Superannuation	51,522	54,175
Total benefits	597,428	660,290

Senior Management	2021	2020
Short Term Employee Benefits	4,152,658	3,605,891
Post-Employment Benefits including Superannuation	392,763	490,613
Total benefits	4,545,421	4,096,504

Note 19: Related Party Disclosures

Key management personnel compensation is shown in Note 18. No loans have been made to key management personnel of the company or to their related entities. There were no other transactions with any related party.

Note 20: Subsequent Events

As at 30 June 2021 while the financial impacts of COVID-19 continue within the wider economy, these impacts have not been materially detrimental to the company.

It is noted that uncertainty remains as to the longer-term COVID-19 impacts on AFCA, its members and consumers. As such, the Directors of the company acknowledge that economic events and conditions in the future may be materially different from those currently estimated at reporting date, and these may impact the company and its operations.

However, as at the end of the financial year and the date of this report, there has not arisen any item, transaction, or event of a material and unusual nature that, in the opinion of the Directors of the company, would significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Code compliance and monitoring

Between 1 July 2020 and 30 June 2021

The Code Compliance and Monitoring Team (Code Team) is a separately operated and funded business unit of AFCA. It works on behalf of independent committees that monitor compliance with industry codes of practice in the Australian financial services industry. Its services are funded by the industry associations and subscribers of the codes. The Code Team provides code compliance monitoring, investigation and secretariat services to five committees and helps code subscribing financial firms improve their services and achieve standards customers can trust.

Codes of practice

Codes of practice set standards of good industry practice for financial firms when dealing with people who are, or who may become, individual or small business customers in areas relating to service provision, standards of professional conduct, practice standards and ethical behaviour.

The Code Team administers and monitors compliance with five industry codes of practice:

1. Banking Code of Practice
2. General Insurance Code of Practice
3. Customer Owned Banking Code of Practice
4. Insurance Brokers Code of Practice
5. Life Insurance Code of Practice

Through its work for the committees, as a separate business unit of AFCA, one of the objectives of the Code Team is to work with code subscribing financial firms to ensure they comply with their code obligations, thereby raising industry standards, minimising complaints and improving positive consumer outcomes.

Code compliance committees

Monitoring of the five industry codes is conducted by five separate independent code compliance committees, each of which consists of an independent Chair, a consumer representative and an industry representative.

The code compliance committees are independent of the industries that are responsible for each code and have the power to identify and address breaches of code obligations.

Sharing experience with stakeholders

In 2020–21, the Code Team continued to engage with stakeholders to help improve industry practice, including by:

- providing submissions to code reviews and other initiatives and reforms in the industry
- sharing outcomes of code committees' enquiries
- providing guidance to code subscribers about good industry practice
- participating or presenting at industry forums and conferences.

Banking Code Compliance Committee

The Banking Code Compliance Committee (BCCC) published two reports on banks' compliance with the Banking Code. One was for the 2019–20 reporting period, and the other detailed banks' compliance with the Code for the first six months of the 2020–21 reporting year.

The reports summarise banks' self-reported breach data and, while the BCCC has commended banks for their efforts to improve the identification of non-compliance, it has encouraged banks to make sure they use the insights from their breach data to prevent compliance incidents from happening in the first place.

The BCCC concluded 2020–21 by publishing the report of an inquiry into banks' compliance with the Banking Code's guarantee obligations. The BCCC's report highlighted its concerns about failures to consistently provide full disclosure of key information to guarantors. This was a finding supported by the outcomes of performance audits conducted by a sub-set of banks, which is a new requirement for a BCCC Inquiry. The BCCC was equally concerned that the audits found numerous instances where banks could not demonstrate compliance. Overall, the inquiry found that while banks had adequate written policies and processes to comply, banks:

- lacked effective record-management practices
- conducted inadequate or ineffective monitoring of compliance controls
- dealt with non-compliant guarantees on a case-by-case basis and too heavily relied on legal advice when considering whether to enforce a non-compliant guarantee
- lacked guarantee-related data capability.

In addition to industry-wide inquiries, the BCCC also conducts targeted inquiries and investigations. As an outcome of one such inquiry, the BCCC found that a bank breached its obligation related to fair and reasonable conduct, and timely, clear and useful communication. The BCCC found these breaches to be both serious and systemic and applied a sanction to publicly name the bank.

In response to concerns that too often banks identify 'human error' as the cause of code breaches without establishing, recording or acting on the 'root cause' of the problem, in February 2021, the BCCC published a report about how they should build organisational capability to improve compliance with the Banking Code. Banks can achieve better and more consistent outcomes for customers by developing an integrated approach to code compliance. The BCCC made better practice recommendations focused on five key capability areas:

1. Communication strategy
2. Learning and development
3. Systems, processes and technology
4. Culture
5. Enhancing capability through robust compliance frameworks.

The BCCC highlighted that an impactful communication strategy, effective learning and development, and designing all systems, processes and technology with the needs of customers and employees at their centre are all inevitably underpinned by an organisation's culture and a mindset of continuous improvement and delivering good customer outcomes.

The BCCC's other activities conducted throughout 2020–21 included an inquiry into how banks comply with vulnerability, inclusivity and accessibility obligations, and a mystery shopping exercise examining banks' compliance with the code requirement to cancel direct debits on request.

Further information about the BCCC, including news and reports, is available on its website bankingcode.org.au.

Life Code Compliance Committee

The Life Code Compliance Committee (Life CCC) published a number of documents in 2020–21. These included 68 determinations, one case study, one Guidance Note on section 6.5 of the Life Code, the Life CCC's inaugural Own Motion Inquiry (OMI) on section 3.2, and the Life CCC's 2019–20 Annual Industry Data and Compliance Report.

The Life CCC's Annual Industry Data and Compliance Report was based on quantitative data collected from 25 code subscribers who each completed a detailed data workbook that was developed in consultation with stakeholders. The Life CCC was pleased to see subscribers apply far more rigour to the data collection and quality assurance processes than was the case in 2018–19.

The Life CCC also continued to provide guidance to subscribers to help improve the quality and consistency of their compliance reporting. This involved meeting with, and talking to, subscribers about their obligations under the code, including engaging directly with the Boards and senior executives of some subscribers.

During the year, the Life CCC completed its first OMI on section 3.2 of the Life Code, which requires subscribers to review the medical definitions of all on-sale policies at least every three years. The data provided by subscribers revealed a reported 100% compliance rate, and all subscribers confirmed that they had the appropriate compliance frameworks in place to ensure ongoing compliance with section 3.2.

The Life CCC also embarked on its second OMI relating to section 6.3 of the Life Code, covering the obligation for subscribers to issue consumers with an annual notice in writing, prior to the anniversary of the policy. The report for the section 6.3 OMI is slated to be published in late 2021.

Investigating code breach allegation referrals and assessing self-reported breaches remained a priority for the Life CCC throughout the year. Sixty-eight de-identified determinations and one case study were published to assist subscribers' understanding of compliance issues. Determinations and case studies are published on the Life CCC's website. Further information about the Life CCC, including news and reports, is available on its website lifeccc.org.au.

Customer Owned Banking Code Compliance Committee

The Customer Owned Banking Code Compliance Committee (COBCCC) conducted 11 investigations and initiated two OMIs. One was investigating the use of consumer credit insurance, and the other was providing learnings from the previous year's Annual Compliance Statement (ACS) Verification Program. The COBCCC also published two Insight articles providing further guidance to code subscribers.

The OMI, which followed on from a 2019 OMI into the sale of consumer credit insurance (CCI), established that code subscribers have largely stopped selling CCI. It found that most continued to manage loans with these policies attached. This inquiry investigated how subscribers dealt with customers in this situation and offered guidance on ensuring best practice when managing third party supply of CCI.

Throughout the year, the COBCCC continued to collect and analyse code subscribers' self-reported breach and complaints data received via the 2019–20 ACS, and ran a webinar to assist code subscribers to effectively complete the materials required. Video conferences were also conducted with 25 code subscribers as part of the ACS Verification Program and findings were published in the Annual Data Verification Report 2019–20.

Individualised Benchmark Reports were provided to all subscribers and presented high-level comparative trends that enabled code subscribers to review their compliance outcomes against industry and sector performance.

The COBCCC continued to engage with the Customer Owned Banking Association (COBA) to discuss the review of the code, as well as meeting with other key stakeholders, including ASIC and AFCA, in relation to customer owned banking issues.

The COBCCC also increased its engagement with individual code subscribers significantly, conducting video and/or telephone discussions with virtually every subscriber. Through its engagement, the COBCCC was proactive in addressing recommendations that arose out of the Royal Commission and the Code review, with a focus on adding value to the code and better communicating with its intended beneficiaries.

In line with its purpose, the COBCCC will continue to monitor code compliance, identify systemic industry-wide issues and promote good industry practice.

Further information about COBCCC, including news and reports, is available on its website cobccc.org.au.

Insurance Brokers Code Compliance Committee

The Insurance Brokers Code Compliance Committee (IBCCC) conducted eight individual investigations and produced two OMI reports. One OMI dealt with the provision by code subscribers regarding add-on insurance products, and the other OMI examined how premium funding contracts are used and explained to consumers, particularly in the context of financial hardship.

Underpinning the year's activities was the IBCCC's commitment to encouraging cultural and behavioural change in the industry for the benefit of insurance brokers, consumers and the wider community.

The IBCCC engaged a behavioural scientist to review two years of self-reported code breach data to reveal behaviours that informed both good and poor practices. The report included useful insights into culture-based issues that affect behaviour. These findings will help shape the IBCCC's focus over the coming year as it works to identify best practices, and then embed these in changes in culture throughout the industry.

The IBCCC maintained a robust monitoring of compliance with the code, which included collecting breach and complaints data in the Annual Compliance Statement (ACS). Other compliance and monitoring activities included providing a webinar to support ACS completion, conducting video conferences with 10% of all subscribers to discuss their data, and providing individualised benchmark reports to all subscribers.

The IBCCC met with both the National Insurance Brokers Association (NIBA) and the code reviewer on a number of occasions to discuss the code review process and discussion papers, and provide three formal submissions. In particular, the IBCCC noted that more emphasis must be placed on outcomes, behaviour and culture, if codes are to achieve their objectives.

The IBCCC regularly met with other key stakeholders, including ASIC and AFCA, in relation to insurance and insurance-broking issues.

The IBCCC will continue to support code subscribers to identify and implement best practice behaviour that delivers positive client outcomes.

Further information about IBCCC, including news and reports, is available on its website insurancebrokerscode.com.au.

General Insurance Code Governance Committee

The General Insurance Code Governance Committee (GICGC) released two significant publications during 2019–20, as well as continuing work on the phased transition to the 2020 General Insurance Code of Practice. In March 2021, the GICGC published its annual report 'Annual Industry Data and Compliance Report 2019–20'. The report presented an overview of trends and service standards in the general insurance industry in 2019–20, and included focus on travel insurance. The GICGC published a further report in March 2021 'Assessment of Compliance with new provision on family violence policy'.

The report assessed how code subscribers had implemented the first of the obligations under the 2020 code to come into effect. The GICGC has commenced a review of compliance with the next provisions that came into effect on 1 January 2021, Parts 9 (Supporting customers experiencing vulnerability) and 10 (Financial hardship). The GICGC also completed a second phase of consultation on expanded data sets for the annual data collection, and these have now been included in the 2020–21 data collection.

The 2020 General Insurance Code of Practice was formally released by the Insurance Council of Australia (ICA) at the beginning of 2020. Following its release, the GICGC commenced its program of work for transition to the new code, focusing on the key areas of governance, operations and subscriber transition. While the ICA deferred the adoption of the majority of the 2020 code by six months to 1 July 2021, due to the impact of COVID, it brought forward by six months to 1 July 2020, key consumer provisions in Parts 9 (Supporting customers experiencing vulnerability) and 10 (Financial hardship) of the new code.

As the general insurance industry adapted to new ways of working, due to the COVID-19 pandemic, the GICGC engaged with individual code subscribers, as well as with ICA, to discuss the impact of COVID on insurers' operations, the GICGC's publications, transition to the 2020 code, and insurers' responses to catastrophes such as the bushfires and extreme weather events. Further information about the GICGC, including news and reports, is available on the GICGC website insurancecode.org.au.

Compliance investigations

An important role of all committees is to investigate alleged breaches of the codes they monitor. The Code Team, on behalf of the committees, commences investigations in response to referrals of alleged code breaches by consumers, their representatives or AFCA, or in response to external intelligence such as ASIC media releases.

The Code Team also investigates self-reported breaches by code subscribers. During the 2020–21 reporting year, the Code team opened 450 compliance investigations and closed 491 compliance investigations, some of which were opened in the previous reporting year.

These compliance investigations also include investigations of self-reported breaches by subscribers. The Code Team received a sustained high number of self-reported breaches, continuing the trend of a significant increase in the number of self-reported breaches since the 2018 Financial Services Royal Commission.

For example, in relation to the General Insurance Code of Practice, there were 57 significant breach reports from subscribers, compared to 63 the previous year. In relation to the Life Insurance Code of Practice, the Code Team opened 20 investigations in response to self-reported breaches by subscribers this year, compared to 21 self-reported breach matters the previous year.

Previous schemes

On 1 November 2018, AFCA replaced the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT).

All outstanding disputes with FOS and CIO were transferred to AFCA to be resolved.

- Complaints with FOS were handled by AFCA under the FOS terms of reference.
- Complaints with CIO were handled by AFCA under the CIO Rules.

At the time of AFCA's creation, complaints from SCT were not transferred to AFCA. SCT continued to operate to resolve existing complaints that were lodged before 1 November 2018. SCT ceased operating at the end of 2020.

In December 2020, ASIC approved an update to the AFCA Rules to provide for the transfer and handling of all remaining open complaints from SCT to AFCA by 31 December 2020.

Under the ASIC policy applying to the CIO and FOS schemes (*Regulatory Guide 139: Approval and oversight of external dispute resolution schemes*), AFCA must publish information about complaints and disputes received and closed by FOS and CIO for the period of 1 July 2018 to 30 October 2018.

Financial Ombudsman Service

FOS was an ASIC-approved EDR scheme under RG 139.

It considered complaints about:

- banking and finance
- home, contents, travel and life insurance
- insurance broking
- financial planning
- managed funds
- mortgage and finance broking
- pooled superannuation funds
- estate planning and management
- traditional trustee services.

On 1 November 2018, FOS transferred 7,738 open complaints to AFCA to resolve. Between 1 November 2018 and 30 June 2020, AFCA closed 7,801 complaints previously lodged with FOS. In 2020–21, AFCA closed three FOS complaints. These complaints had been closed, but were subsequently reopened and again resolved.

Credit and Investments Ombudsman

The Credit and Investments Ombudsman (CIO) was an ASIC-approved EDR scheme under RG 139.

It considered complaints about:

- mortgages
- credit products
- financial planning
- managed investment
- deposit taking.

On 1 November 2018, CIO transferred 2,490 open complaints to AFCA to resolve. Between 1 November 2018 and 30 June 2020, AFCA closed 2,098 complaints previously lodged with CIO. In 2020–21, AFCA closed an additional 14 complaints.

Superannuation Complaints Tribunal

The Superannuation Complaints Tribunal was established under the Superannuation (Resolution of Complaints) Act in 1993.

It considered complaints about superannuation, specifically:

- administration
- account balances
- disability benefits
- death benefits
- delays in payments.

In December 2020, SCT ceased operations and had resolved all complaints lodged with them. The closure of SCT marked the successful transition of all three predecessor EDR schemes to the AFCA jurisdiction.

Appendix 1

Product Glossary

Product	Definition
Business credit card	A form of short-term finance allowing goods and services to be purchased sooner by a business.
Business loans	A loan provided to a business (may be secured or unsecured, fixed or variable interest).
Business transaction accounts	A deposit account used by businesses for everyday transactions.
Conciliation	Conciliation is one of the methods AFCA can use to resolve complaints. We organise a telephone conference call that includes the complainant, the financial firm, and an AFCA conciliator to talk about the complaint in an open and informal way.
Contracts for difference	A contract between two people that mirrors the situation of trading a security, without actually buying or selling the security. The two parties make a contract that the seller will pay the buyer the difference in price after a certain period of time if the designated security's price increases, and the buyer will, in return, pay the seller the difference in price if the security's price decreases.
Credit cards	Credit cards are a form of short-term finance, allowing goods and services to be purchased sooner, even if at greater cost, than if you had to save up for them.
Death Benefit	When a member of a superannuation fund dies, the trustee of the fund must pay a death benefit in accordance with the fund's rules. This might be to the nominated beneficiary (binding) or according to the trustee's discretion. The death benefit may include an insured component.
Foreign exchange	Cash or other claims (for example, bank deposits and bonds) on another country, held in the currency of that country. We only have jurisdiction to consider a complaint if the product is governed by Australian law.
Funeral plans	A type of insurance cover that pays a lump sum on death.
Hire purchases/leases	Buying goods by instalment payments. The 'hirer' has the use of the goods while paying for them, but does not become the owner until all instalments have been paid.
Home building	An insurance policy that covers destruction or damage to a home building.
Home contents	An insurance policy that covers loss of, or damage to, the contents of a residential building.
Home loans (also called mortgages)	The funds a buyer borrows (usually from a bank or other credit provider) to purchase a property; generally secured by a registered mortgage to the bank or other credit provider over the property being purchased.
Income protection	Income protection insurance pays a monthly benefit where the life insured is unable to work due to injury or illness. Business expenses may be covered separately or form part of the policy for self-employed.

Product	Definition
Investment property loans	The funds a buyer has to borrow (usually from a bank or other financial institution) to purchase an investment property.
Lines of credit/ overdrafts	A line of credit allows you to make the bulk of your purchases or payments through a credit card with an interest-free period. You use the credit card for most purchases allowing you to leave the bulk of your wage in the loan until your credit card account is payable. This slightly reduces the balance of the home loan debt for part of the month and, therefore, slightly reduces the interest payable.
Merchant facilities	Facility offered by financial firms to businesses to accept payment in forms other than cash (e.g. EFTPOS, credit cards etc.). Different card providers may require different merchant facilities (e.g. AMEX, Diners, Visa and MasterCard).
Mixed asset funds	Multiple managed investments or mixed funds. (So you might have an investment portfolio involving various managed investments.)
Motor vehicle	An insurance policy that covers loss or damage to a vehicle with a carrying capacity of less than two tonnes.
Pension	<p>Account-based pension</p> <p>An account-based pension (also called an allocated pension) is one of a number of concessional tax products that investors can buy with a lump sum from a superannuation fund, or pay from a self-managed superannuation fund, to give them an income during retirement. An investment account is set up with this money from which they draw a regular income. A minimum payment must be made at least annually. It is also possible to nominate a reversionary pensioner to continue to receive income payments after the member's death.</p> <p>Lifetime pension</p> <p>A lifetime pension is a type of superannuation pension that is payable for the life of the pensioner and, in some cases, the life of a reversionary pensioner such as a spouse. Lifetime pensions are sometimes called defined benefit pensions.</p> <p>Transition to retirement pension</p> <p>A transition to retirement pension (or TRIS) is a form of account-based pension that can be paid to a superannuation fund member even if the member has not yet retired. In addition to the minimum annual pension payment (see account-based pension), there is a maximum annual payment of 10% of the account balance. Unlike an account-based pension, the investment earnings of a TRIS are not eligible for concessional tax treatment, and it is not usually possible for income payments to continue on the death of the pensioner. Instead, if the pensioner dies, the account balance must be paid as a lump sum.</p>
Personal loans	A type of loan available from banks, finance companies and other financial institutions, generally for purposes such as buying a car, boat or furniture.
Personal transaction accounts	A deposit account used by consumers for everyday transactions.

Product	Definition
Property funds	A type of collective investment where investors collect their money together and a professional manager operates the scheme, which invests in residential or commercial properties.
Self-managed superannuation funds	Small superannuation funds where the members are also the trustees (or directors of the corporate trustee).
Shares	A share is simply a part-ownership of a company. For example, if a company has issued a million shares, and a person buys 10,000 shares in it, then the person owns 1% of the company.
Superannuation account	An account held by a member of an approved deposit fund. A member's superannuation account can only be paid in cash to the member if the member has satisfied a condition of release but, subject to the rules of the fund, the member can usually request to rollover their account to another approved deposit fund or to a superannuation fund at any time.
Superannuation fund	<p>A superannuation fund is a trust-based vehicle where compulsory Superannuation Guarantee (SG) contributions and voluntary contributions can be paid. Superannuation funds are usually divided into three broad categories:</p> <ol style="list-style-type: none"> 1. Registrable Superannuation Entities (RSEs) that are regulated by APRA 2. Self-managed superannuation funds regulated by the ATO 3. Exempt public-sector superannuation schemes providing benefits for government employees, or schemes established by Commonwealth, state or territory law, that are not directly subject to the SIS Act 1993 and APRA regulation. <p>APRA-regulated RSE licensees are generally classified into four types:</p> <ol style="list-style-type: none"> 1. Corporate funds – a private superannuation fund that is supported by an employer. Corporate funds are generally only open to people working for a particular employer or corporation. 2. Industry funds – a type of not-for-profit superannuation created for people who work in a particular industry or under a particular industrial award. Industry funds are often open for anyone to join. 3. Retail funds – a retail fund is a type of superannuation fund that is open to everyone. Retail funds can also have sub-plans that are only open to particular employee groups. 4. Public sector funds – a superannuation fund established for employees of federal and state government departments. They are generally only available to government employees. They may provide higher employee contributions than the statutory minimum.
Term life	Term life insurance pays a death benefit if the life insured dies during the term of the policy (before the policy expires).
Total and permanent disability	Total and permanent disability insurance (TPD) provides a lump sum payment if a person become totally and permanently disabled.
Trauma	Trauma (or critical illness) insurance provides a lump sum benefit if a person is diagnosed with a specified illness or injury. These types of products cover major illnesses or injuries that will impact a person's life and lifestyle.
Travel insurance	A policy that covers things such as lost luggage, illness, loss or theft while you are travelling, or any disruption to your travel plans.

Issue Glossary

Issue	Definition
Account administration error	An error in the administration of an account. For example, an error in the calculation of a superannuation account balance.
Appropriate lending	The provision of credit to a small business in breach of the financial firm's lending obligations.
Claim amount	A disputed insurance claim amount. For example, the financial firm has accepted the complainant's claim, but for a different amount to what the complainant believes they are entitled.
Claim cancellation of policy	The financial firm has cancelled the insurance policy of a complainant. For example: <ul style="list-style-type: none"> • inappropriate cancellation of an insurance policy • policy cancellation without the authority of the complainant.
Credit reporting	Complaints about consumer or commercial credit reporting.
Decline of financial difficulty request	The financial firm declines a request for assistance made on the basis of financial difficulty. For example: <ul style="list-style-type: none"> • a request for assistance, such as a repayment variation, is declined and no offer is made by the financial firm • the financial firm has not provided reasons for its decision to decline a request for assistance.
Default judgment obtained	The financial firm has obtained default judgment, but the complainant considers that it should be stayed on the basis of financial difficulty.
Default notice	The financial firm issues a default notice under section 88 of the <i>National Consumer Credit Protection Act 2009</i> (Cth) or section 80 of the Uniform Consumer Credit Code when the complainant is in financial difficulty (regardless of whether assistance has been requested).
Delay	The financial firm followed instructions, but not within an agreed or acceptable timeframe. For example: <ul style="list-style-type: none"> • redemption requests actioned only after the unit price has dropped • renewal notices not issued on time • insurance cover not arranged on time • delay in clearing a cheque • loan approval delay • settlement delay.
Delay in claim handling	The financial firm has delayed actioning or processing a complainant's claim. For example: <ul style="list-style-type: none"> • delay in handling an insurance claim • delay in processing a chargeback request or EFT claim.

Issue	Definition
Denial of claim	<p>The financial firm has denied the complainant's claim. For example:</p> <ul style="list-style-type: none"> • the denial of a claim for insurance benefits • an unsuccessful request for a cardholder chargeback • a disputed merchant chargeback • a PayPal buyer/seller complaint.
Denial of claim – exclusion/condition	<p>An insurance claim is denied on the basis that loss or damage occurred as the result of an excluded event, or a breach of an insurance policy condition. For example:</p> <ul style="list-style-type: none"> • damage caused by an event such as a flood, and the event is excluded under an insurance policy • where a claim on a life insurance policy relates to an excluded medical condition under the policy, such as a pre-existing illness or injury.
Failure to act in client's best interests	<p>Failure to act in the client's best interests in providing financial advice.</p>
Failure to follow instructions/ agreement	<p>Failure to follow instructions or to act in accordance with an agreement (written or oral). For example:</p> <ul style="list-style-type: none"> • breach of contract (written or oral) • failure to follow written instructions (e.g. direct debit authority not followed, payee name on cheque ignored, internet banking instructions not followed) • non-redemption following request, failure to sell stock, failure to buy or sell a financial product when requested to do so • insurance cover not arranged, including renewals • insurance policy not cancelled • sum insured not increased, or change of vehicle not noted on the contract.
Financial firm failure to respond to request for assistance	<p>The financial firm fails to respond to a request for assistance due to financial difficulty. The request may be actual or implied.</p>
Inappropriate advice	<p>Inappropriate or insufficient financial advice provided. For example:</p> <ul style="list-style-type: none"> • inappropriate product or investment strategy advice • inappropriate client advice • general financial advice provided when personal advice was needed.
Incorrect fees/costs	<p>The financial firm has charged the complainant the wrong amount of fees or other costs for the product or service provided. For example:</p> <ul style="list-style-type: none"> • fees/costs not charged in accordance with disclosed information • fees/costs excessive, inappropriate or wrong.
Incorrect premiums	<p>Incorrect premium charged by the financial firm. For example:</p> <ul style="list-style-type: none"> • the financial firm has charged the complainant the wrong amount of premiums for the insurance provided • the broker has charged the client the wrong amount of premiums for the insurance provided.

Issue	Definition
Misleading product/service information	<p>The financial firm provided information about a financial product or service that was misleading, or misrepresented the features of the product or service. For example:</p> <ul style="list-style-type: none"> the financial firm provided information about a banking, insurance or investment product or service that was both inaccurate and misrepresented the product or service or misled the complainant. <p>NB: If the complaint relates to a fee or charge use 'Fee disclosure' or 'Fixed interest loan break cost disclosure' instead.</p>
Mistaken internet payment	<p>A payment made to the wrong person via internet banking. For example:</p> <ul style="list-style-type: none"> where the sender entered a wrong account number or BSB where an error by the sending or receiving financial firm has resulted in the payment being sent to the wrong account.
Request to suspend enforcement proceedings	<p>The financial firm continues action to recover a debt after a financial difficulty request has been made. For example:</p> <ul style="list-style-type: none"> the financial firm continues or commences legal proceedings the financial firm commences or continues general recovery action, including taking possession of secured property and inappropriate collection activity (including harassment claims after a financial difficulty request).
Responsible lending	<p>The provision of credit in breach of the financial firm's responsible lending obligations, or without proper assessment of the borrower's capacity to meet repayment obligations.</p>
Service quality	<p>Other service-related issues that do not fit within other service categories. For example:</p> <ul style="list-style-type: none"> staff behaviour other service issues.
Unauthorised transaction	<p>Unauthorised transactions performed on a complainant's account. For example:</p> <ul style="list-style-type: none"> unauthorised direct debit forged cheques and withdrawal slips stolen card ATM withdrawals credit card transactions not authorised by the cardholder purchase or sale of investments without written or verbal authority to do so an insurance claim paid to someone other than the insured and/or a refund provided to another party.
Unconscionable conduct	<p>A statement or action by the financial firm that is so unreasonable or unjust that it is against good conscience. For example:</p> <ul style="list-style-type: none"> not allowing enough time to consider a contract requiring someone to sign a blank agreement.

Contact us

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