

Member forum

Banking and Finance

Evelyn Halls - Lead Ombudsman

Neva Skilton – Senior Ombudsman

Diana Ennis – EGM, Operational Delivery

Today's session includes



Complaint trends



Current issues



Fairness Project



Q&A

Year at a glance

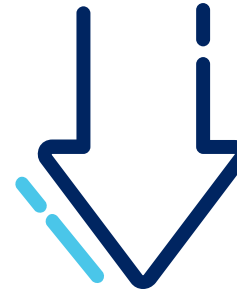
Between 1 July 2020 to 30 June 2021



Complaints received

70,510

complaints received



12%

decrease in complaints compared to 2019-20



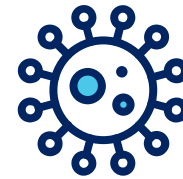
76%

of complaints lodged online



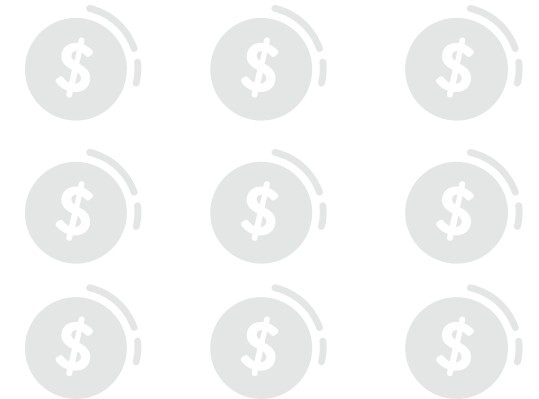
3,562

complaints from small businesses



8,303

complaints related to COVID-19



7.35%

complaints involved financial difficulty

Products complained about



42,261

Banking and finance



16,912

General insurance



5,249

Superannuation



3,888

Investments and advice



1,623

Life insurance

Banking and finance complaints

Between 1 July 2020 to 30 June 2021



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 ¹

Issue	Total
Unauthorised transactions	4,878
Service quality	4,373
Default listing	3,50
Financial firm failure to respond to request for assistance	2,735
Incorrect fees/costs	2,480

Complaints closed

44,258 complaints closed ²

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
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 greater than 180 days	9%

¹One complaint can have multiple products/issues.

²This includes 9,273 received before 1 July 2020, and 34,985 received from 1 July 2020 to 30 June 2021.



Complaint trends

- > Overall decrease in B&F complaints
 - down 10% in FY21
 - have remained stable (or declining) in recent months
- > Decrease in complaints against the major banks (-7%)
- > Outcomes:
 - 70%+ resolved by agreement or in favour of complainant in early stages
 - 70%+ resolved in financial firm's favour at determination stage
- > Decrease in complaints about credit products
- > Increase in complaints involving scams and disputed transactions
- > Increase in complaints involving credit reporting
- > Decrease in financial difficulty complaints during COVID continues



Current issues

RG 271 transition

- > Regulatory Guide 271 came into effect on 5 October 2021 and AFCA is applying this as part of its dispute resolution process
- > In September we held a joint webinar with ASIC to discuss these changes and have member resources on changes to our process you can access [here](#)
- > Early insights is that this has been a relatively seamless transition at AFCA.
- > We have only received a handful of requests for extension of the 30 day timeframe from firms.
- > IDR referrals for FY 20/21 were at 55% for Banking and Finance complaints lodged in Registration - we are closely monitoring resolution rates/non-responses/progression of cases to case management
- > AFCA will be reporting quarterly to ASIC in relation to RG 271 firm performance



Debt management firms

- > From 1 July 2021 firms engaging in debt management services as prescribed under NCCP Act are required to be members of AFCA.
- > You can search for our members [here](#)
- > Licence applications are currently under review with ASIC
- > We engage with debt management firms both as paid consumer representatives **and** as an AFCA member where a consumer has lodged a complaint
- > We expect debt management firms to engage in accordance with our [Engagement Charter](#) and act in the best interests of the complainant (Rule C2.2)



Looking towards 2022



AFCA Banking and Finance

- > Integration of Fast Track and Standard and Complex teams (processes remain distinct)
- > Increased specialisation – scams, brokers, financial difficulty, small business
- > Appointment of new Lead Ombudsman (Suanne Russell) and additional Ombudsmen
- > Appointment of new Panel members (industry and consumer) and increased use of Panels
- > Appointment of new Head of Service Delivery (Gerri Hill)
- > Closer partnering between Ombudsmen and case management teams
- > Resolving aged complaints and reducing ‘time to clear’
- > Increased use of merits assessment process to close complaints if no error or loss

Looking towards 2022



Financial difficulty

- > Consumers in long-term hardship
- > Negotiating appropriate solutions / approach to enforcement action

Consumer credit

- > Finalising Legacy complaints
- > Consultation on responsible lending approach

Buy Now Pay Later

- > Volumes reflect market growth & product diversification
- > Complaints typically resolve at an early stage

Debt management firms

- > AFCA members since 1 July 2021 – complaint volumes and themes
- > Ongoing engagement with DMFs as paid representatives

Looking towards 2022



Scams

- > Since July 2021, AFCA has received on average 302 scam complaints per month
- > On average, 153 scam complaints progress to workflow / case management
- > 326 conciliations conducted on scam complaints, of which 176 have resolved
- > Since July 2021, 58 determinations issued on scam complaints

Trends in scam complaints

- > Investment scams, romance scams and business email compromise scams
- > Complaints being lodged by parties involved in the scam



Systemic issues

Systemic issues



Our process – AFCA Rule 17.1 to 17.4

- > Referral from complaints work
 - internal triage / file review
 - decision to close or progress
- > Raise possible systemic issue with financial firm
 - consider response provided by financial firm
 - determine if systemic issue or not
- > If definite systemic issue:
 - report to regulator within 15 days
 - work with financial firm to remediate consumers where required

Systemic Issues – Banking and Finance



1 July 2020 to 30 June 2021

Identified 499 potential systemic issues

Reported 4 possible serious contraventions to regulators.

Referred 74 systemic issue investigations to financial firms

Common issues include systems issues and financial difficulty processes.

Reported 22 definite systemic issues to regulators

Isolated incidents of non-compliance with IDR/EDR processes.

Resolved 27 definite systemic issues with financial firms

Systemic issues



Case Study

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

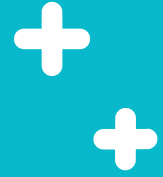
- > it had processes in place to meet its obligations to assist consumers with financial hardship under NCC s72
- > it was entitled to make hardship arrangements subject to cancellation of insurance policies and other agreements

The financial firm confirmed its IT systems treated hardship variations as refinances and therefore would trigger a new loan contract number and an add-on insurance rebate, when a request for hardship was made.

Following AFCA's systemic issues investigation, the financial firm confirmed 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
- > the implementation of hardship variations no longer triggers insurance cancellations

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.



Fairness Project

Fairness Jurisdiction Project



We have finalised our project

- > Our aim was to create a framework for how we would operate within our fairness jurisdiction, making decisions and providing our dispute resolution in a fair, independent and consistent way.
- > We have:
 - described and benchmarked our fairness jurisdiction both domestically and internationally
 - built a framework to assist AFCA staff to consistently apply the fairness jurisdiction in our complaint handling
 - articulated how the parties should engage with each other and AFCA to ensure a fair process
 - explained our approach to delivering fair outcomes; and
 - designed systems to calculate and capture fair outcomes once achieved.
- > We thank all of our stakeholders who we engaged with during 2019 to 2021 for their thoughtful feedback which helped shape our work and considerations.

Fairness Jurisdiction Project



AFCA Engagement Charter

- > Most recently, we have launched the AFCA Engagement Charter.
- > The Engagement Charter shares AFCA's values and outlines the behaviour we expect from financial firms, complainants and AFCA employees when resolving disputes.
- > It is a living document that makes the roles, responsibilities and expectations of each party more explicit so that our stakeholders have a shared understanding of good conduct.

See more

www.afca.org.au/engagement-charter

Engagement Charter

Purpose

AFCA's Engagement Charter outlines AFCA's expectations about how people using our service will engage with us and each other during our complaint resolution process. It also describes the service standards others can expect from AFCA.

It is a living document, based on core principles and designed to respond to an ever-changing financial landscape. We may amend and expand on the principles set out in this document from time to time.

AFCA's role

AFCA's purpose is to provide fair, independent and effective solutions for individuals and small businesses who have a complaint about a financial product or service.

AFCA has a specific and important role assisting individuals and small businesses to resolve complaints about financial services and products. We are:

- impartial and independent – we do not advocate for either party or their position.
- fair and focussed on dispute resolution outcomes – if everyone cannot come to an agreement, it is our role to decide an appropriate outcome.

AFCA's vision is to be a world class ombudsman service, by:

- raising standards and minimising complaints
- meeting diverse community needs; and
- being trusted by all.

AFCA's jurisdiction

Our **Rules** set out the complaints we can consider, the procedures we use to resolve complaints and the remedies we provide. Our **Operational Guidelines** and **Transitional Superannuation Guidelines** set out how we interpret and apply our Rules.

We can consider a broad range of financial complaints, including:

- errors in banking transactions and credit listings
- difficulty repaying loans, credit cards and short-term finance
- denial of an insurance claim (such as car, home and contents, pets, travel, income protection and trauma)
- investment and financial advice
- a trustee's decision in relation to the administration of a superannuation account including distribution of a death benefit.

Purpose Engagement charter 1

Fairness Jurisdiction Project



Approach to Terms of Settlement

- > Most recently the final element of the fairness framework has been completed.
- > Ensuring that the parties capture and document fair outcomes when complaints are resolved is an important aspect of our fairness jurisdiction.
- > ASIC also requires us to report when terms of settlement are unfair or inappropriate.
- > AFCA's revised Approach to Terms of Settlement has been published and includes information about how to prepare terms of settlement and how terms of settlement can affect a further or current complaint with AFCA.
- > We are taking feedback until 8 December 2021.

See more

www.afca.org.au/about-afca/publications/approach-terms-of-settlement

Questions?