



2021–22  
Annual Review

**HELPING CONSUMERS,  
SMALL BUSINESSES  
AND FINANCIAL  
FIRMS TO RESOLVE  
COMPLAINTS.  
THAT'S WHAT  
AFCA DOES.**



# Year at a glance

## Complaints



**72,358**

complaints received.  
Up 3% on 2020–21



**71,152**

complaints closed.  
Down 4% on 2020–21



The average  
time to close a  
complaint was

**72 days**<sup>1</sup>



**17,826**

open cases.  
Up 9% on 2020–21



**\$207,733,327**

in compensation was provided to consumers through  
AFCA's dispute resolution processes

## Complaints received by product line<sup>2</sup>



**42,392**

Banking and finance



**18,563**

General insurance



**5,286**

Superannuation



**3,207**

Investments and advice



**2,482**

Life insurance

Not yet determined: **382**

Non-rules: **74**

## Complaints closed by product line<sup>2</sup>



**43,530**

Banking and finance



**17,244**

General insurance



**5,181**

Superannuation



**2,890**

Investments and advice



**1,890**

Life insurance

<sup>1</sup> Average of days the complaint was active.

<sup>2</sup> Complaints may belong to more than one product type.



**4,442**

complaints about financial difficulty received



**3,490**

small business complaints received



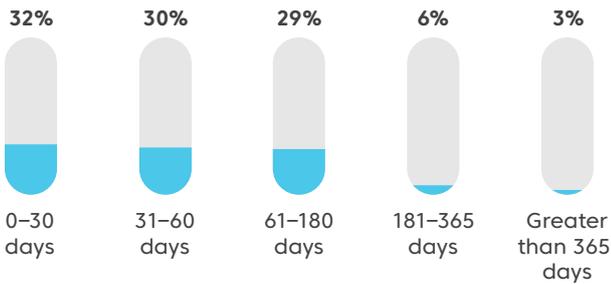
**3,552**

COVID-19 complaints received

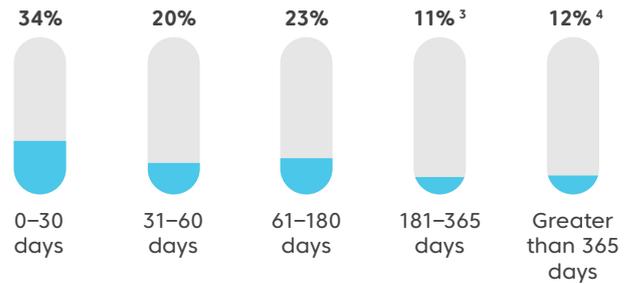


**8,282** complaints excluded due to being outside AFCA's jurisdiction

### Average time taken to close complaints



### Open cases by age



**3,653**

Small business complaints closed



**4,983**

Financial difficulty complaints closed

### Complaints resolved before determination

	Total
Total	66,303
Resolved by agreement or in favour of complainant <sup>5</sup>	73%
Resolved in favour of financial firm <sup>5</sup>	3%
Outside Rules/Terms of Reference	12%
Discontinued/withdrawn	11%
By assessment	1%

### Determinations

	Total
Total	4,849
Found in favour of complainant	24%
Found in favour of financial firm	76%

<sup>3</sup> 43% of cases aged between 181-365 days are on pause. Complaints are paused when we are unable to progress due to insolvency or litigation through the courts.

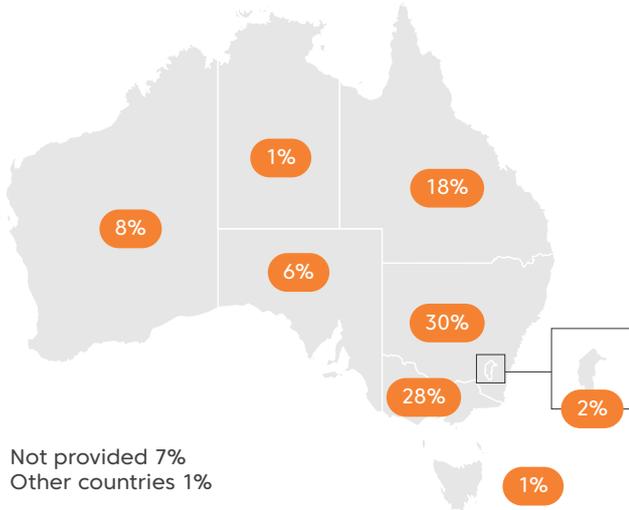
<sup>4</sup> 77% of cases aged over 365 days are on pause. Complaints are paused when we are unable to progress due to insolvency or litigation through the courts.

<sup>5</sup> This include complaints resolved through Conciliation, Negotiation and Preliminary Assessment.

# Year at a glance (continued)

## Complainants

### Complaints received by state and territory



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

Language
Mandarin
Arabic
Cantonese
Taiwanese
Vietnamese
Persian (Farsi)
Afrikaans
Punjabi
Greek
Hindi

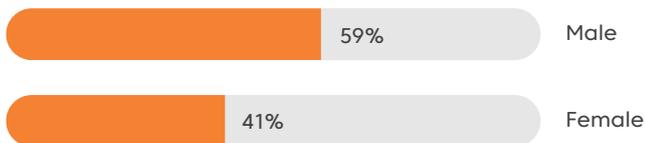


**2,225** complainants identified as First Nation peoples



**1%** of complainants required an interpretation service

### Gender of complainants



**18%** of complainants had a representative

## Members

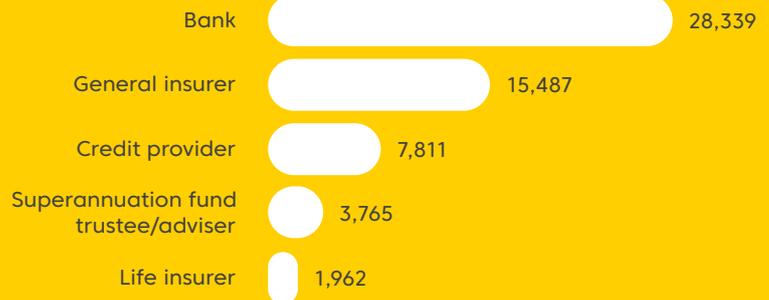


**42,488**  
members



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

### Top five member types with the most complaints



## Customer service



**142,572** calls to our phone lines



Average wait time for calls

**45 seconds**

### Calls to our phone lines

Consumer and small business 119,653

Membership 14,914

COVID-19 support 8,005



Service was provided in **71** different languages other than English



**21,066** online live chats



**77%** complaints lodged online

## Systemic issues



Identification and investigation of systemic issues resulting in the remediation to

**167,033** consumers



**\$18,275,607**

in refunds made to consumers



**993** potential systemic issues identified



**153** systemic issue investigations referred to financial firms



**67** systemic issues reported to regulators



**46** systemic issues resolved with financial firms



**23** serious contraventions of the law and other breaches <sup>1</sup>



**1** possible serious contraventions of the law reported to regulators



**22** other reportable matters reported to regulators

<sup>1</sup> Reported under section 1052E(1)-(3) of the *Corporations Act 2001* (Cth)

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Life insurance complaints	74		
Superannuation complaints	80		
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# Acknowledgement of country

AFCA acknowledges the Traditional Custodians of this land and we pay our respects to Elders past, present and future – for they hold the songlines, the stories, the traditions, the culture and the hopes of First Nations Australia.

This land is, was, and always will be traditional First Nations Country.



We also acknowledge and pay our respects to the Traditional Custodians of the lands on which we work, including the Wurundjeri, Boon Wurrung, Wathaurung, Daungwurrung and Dja Dja Wurrung peoples of the Kulin nation and the Gadigal people of the Eora Nation.



## Uluru Statement from the Heart

AFCA accepts the invitation of the Uluru Statement from the Heart.

The Uluru Statement is a gift, an invitation for all Australians to walk alongside Aboriginal and Torres Strait Islander peoples toward a better future. It calls for recognition of the sovereignty of Aboriginal and Torres Strait Islander peoples and the opportunity for their voices to be heard.

We support Australia's First Nations peoples in their call for a constitutionally enshrined First Nations Voice and Makarrata Commission.

We make this commitment through our Reconciliation actions and encourage our people and our community to do the same, based on the principles of Voice, Treaty and Truth.

# About this Annual Review

This Annual Review details the Australian Financial Complaints Authority's (AFCA) performance during the 2021–22 financial year.

This Review outlines how we have met our strategic priorities, purpose and vision. We also outline the challenges we've faced in our work.

AFCA shares this information to meet our legislative requirements, and to be transparent and accountable to our many stakeholders. The information in this Review is for our members, complainants, government, the wider community and our staff.

The data we share relates to those complaints received by AFCA between 1 July 2021 and 30 June 2022, unless otherwise stated.

The 2021–22 Datacube, which shows complaint data about individual AFCA members, is available on our website at [data.afca.org.au](https://data.afca.org.au) and provides data required under ASIC Regulatory Guide 267 (RG267).

Published October 2022.

**“You were very kind, understanding and always very upfront and honest with me. You kept me up to date with every stage of my case and when you told me that they wanted to come to an agreement with me I was blown away.”**

*- Feedback from a consumer*



# Board Chair message

The financial services sector in Australia has experienced an extraordinary level of uncertainty and volatility over the last financial year. This has been driven by the lingering impacts of the COVID-19 pandemic, unanticipated interest rate rises, rapid inflation, intensifying climate-driven disasters, and the rise in new financial products and services. These factors have, in turn, had an impact on consumers of financial services and the types of complaints AFCA has received during this period.

While many businesses and consumers have benefited from digital services in the last 12 months, we have seen a concerning increase in the number of complaints involving increasingly sophisticated and novel scams. We know from the complaints we deal with that scams have an exceptionally detrimental impact on consumers and small businesses. This is evidenced by an Australian Competition and Consumer Commission report, which revealed that in 2021 scams accounted for more than \$2 billion in losses and resulted in significant emotional and life-changing consequences for individuals, families and businesses.

We have also seen an increase in the number of complaints relating to natural disasters, particularly those relating to severe weather events. During the past year, consumers were impacted by earthquakes, severe storms and flooding. Because of these events, we have seen intense pressures placed on consumers and small businesses, many of whom experienced short- and long-term financial difficulty.

Insurers faced, and continue to face, complex challenges as they try to manage claims and get people back on their feet. We know there are significant issues with the supply of building materials, parts and labour because of national and global events that are outside insurers' control, but which result in increasing numbers of complaints.

Notwithstanding this, we are concerned at the rise in complaints being escalated to AFCA about these issues. We want to better understand the cause of complaints and we continue to engage and work with insurers to help them resolve complaints faster and, ultimately, to reduce the incidence of complaints.

At AFCA, we have expanded our general insurance complaints team in response to the unusually high number of insurance complaints occurring due to the scale of recent disasters. We also activated our 'significant event' response plan, giving priority to urgent, event-related financial complaints. We worked with other stakeholders, including consumer groups and industry participants, to provide timely information and pathways to those affected by events.

Anticipating that these climate-driven events will increase, as will economic uncertainty and the creation of increasingly innovative and complex financial products and services, the need for AFCA's services has never been more important.

AFCA continues to play a vital role in the regulatory landscape of the financial services sector, by investigating and resolving individual complaints that people have with financial services firms.

**“AFCA continues to promote the early resolution of complaints as the best outcome for all parties”**

## Number of complaints we have received

In 2021–22, AFCA received 72,358 complaints from consumers and small business owners and it resolved 71,152 cases, with \$207,733,327 in compensation and refunds paid.

It was pleasing to see complaints involving financial difficulty decrease from more than 5,000 to 4,442. This reflects the work the financial service sector has done to support consumers during the COVID-19 pandemic in recent years.

The introduction of RG271 in October 2021, which reduced internal dispute resolution (IDR) timeframes generally, has had a positive effect on the industry.

AFCA continues to promote the early resolution of complaints as the best outcome for all parties. In an ideal world we would put ourselves out of business by improving practices and minimising disputes. However, given the current complaint numbers and the number of systemic issues AFCA identified in 2021–22, there is still a way to go.

AFCA identified and reported 68 definite systemic issues and serious contraventions of the law to federal regulators, and secured an additional \$18,275,607 in refunds to 167,033 consumers.

To ensure AFCA remains current and continues to build on the foundational progress delivered in the last four years, we have set ourselves an ambitious program of work, which is outlined in AFCA's three-year Strategic Plan (2021–24). Our plan is to positively transform the way AFCA delivers its services to financial firms, consumers and small businesses.

Our five strategic themes include:

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

AFCA's vision is to be a world-class ombudsman service that not only efficiently and effectively resolves disputes, but also improves practices and minimises the causes of disputes arising in the first place. It seeks to meet diverse community needs and be trusted by all.

## Independent Review

The AFCA Board and I welcomed the Independent Review of AFCA, which was conducted by the Commonwealth Treasury. This started in January 2021 and reported in November 2021. The review assessed whether AFCA is meeting its statutory objectives of resolving complaints in way that is fair, efficient, timely and independent.

The report presented a positive assessment of AFCA's service and confirmed that 'AFCA is performing well in a difficult operating environment and a changing regulatory landscape.'

In the report, the reviewers affirmed AFCA's 'critical role in providing consumers and small business with access to a binding, out-of-court dispute resolution service' and the benefit to financial firms and consumers from this service 'as an alternative to a court or tribunal process'.

The report confirmed that AFCA's average time to resolve disputes compared favourably to the performance of predecessor schemes Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO), and the Superannuation Complaints Tribunal (SCT) and its international counterpart in the United Kingdom. In the first two years of operation, AFCA's overall average was 74 days. In 2021–22, this reduced to 72 days.

The report contained 14 recommendations and AFCA agreed in principle with all recommendations.

AFCA has designed a comprehensive three-year program of work to manage the implementation of recommendations in a coordinated way. You can read more about this work on page 26.

AFCA's Board didn't just accept these recommendations, though, we also looked in detail at all the submissions that had been made to the review to understand the views of both consumer and industry stakeholders. Our program aims to address the wider feedback received throughout the review.

## New AFCA Funding Model

Since AFCA started handling complaints on 1 November 2018, it operated under an interim funding model. This was a hybrid model, based on aspects of the previous external dispute resolution schemes' funding arrangements, and the APRA levy model for superannuation trustees. The interim funding model was intended to remain in place for the first three years of AFCA operations while AFCA established an evidence base of complaint volumes and complexity in an expanded jurisdiction.

In early 2021, AFCA appointed PwC to undertake a review of its previous funding model and develop a new model that would be fit-for-purpose, sustainable and fair to AFCA members.

In developing the new model, AFCA and PwC took AFCA member feedback into account and considered the key findings and recommendations of the recently published AFCA Independent Review. They did this with a particular focus on a 'user-pays' approach that reduces the burden on smaller members and those industries that are not heavy users of AFCA, minimising cross subsidisation across sectors, and supporting firms to better forecast and budget for complaints. The new funding model that commenced from 1 July 2022 is fair, transparent, equitable and reduces financial impact to small members.

The new funding model represents a significant departure from the fee and charging structure in place since AFCA's inception, and has received positive support from across the financial services sector, key stakeholders and government.

## IT and business transformation

AFCA is currently undertaking a major project to upgrade our IT systems and it will fundamentally change the way we do business.

The upgrade will modernise AFCA's systems and provide a range of benefits, including a completely redesigned member portal that makes it easier to interact with AFCA, and a new consumer portal where complainants can manage their open complaints and documentation. Both will be seamlessly integrated with a new case management system.

Investing in our IT and business systems is critical if we are to reach our goal of being a world-class ombudsman service.

For consumers and small business, we are focusing on achieving accessible, simple and tailored customer experiences that make it easy to deal with AFCA and provide fair and timely outcomes. For members, we are focusing on making it easier to do business with us, supported by a service offering that assists members to improve complaint handling and minimise disputes.

## Data and analytics

The Board and I recognise the unique perspective provided by AFCA's position in the financial industry, and we are passionate about sharing data and insights with all stakeholders.

This year, we saw the full implementation of our data and analytics strategic initiative, delivering significant value to AFCA, our people, consumers, small business and members. Under the project, we implemented and launched predictive complaint forecast and triage models to improve and evolve forecasting, remove waste and inefficiencies from complaint handling processes, and provide better, faster experiences for consumers and members.

In 2021, we were proud to launch the Member Benchmarking Dashboard. This new interactive platform provides financial firms with near real-time complaints data, insights into their own external dispute resolution performance, and the opportunity to compare their performance against an anonymised set of similar financial firms.

The dashboard was a significant milestone and members have already told us how valuable its insights are in identifying potential improvements to their dispute resolution practices.

This world-class suite of data is in addition to the detailed and interactive reporting that's published every six months in the publicly available AFCA Datacube.

I am pleased to share that we also introduced robust data governance and ethics frameworks for the use of technologies such as artificial intelligence, and to improve accuracy, quality and security of AFCA's data. This will also allow us to continue developing agile internal analytics capability among our people to support future data and analytics growth.

Over the coming year, AFCA will continue to focus on deeper, data-driven analysis to provide a better experience for members, consumers and small business, and engage with industry to influence best practice.

## Awareness and accessibility

AFCA has an obligation to the diverse community we serve to ensure they are aware of Australia's financial ombudsman and that our services are accessible to all.

For a service to be truly accessible, people must know about it, and so AFCA has developed a three-year strategy that builds awareness through a data-led multichannel approach, targeting demographics less likely to know about our service.

The strategy is designed to be effective, cost-efficient and aims to communicate information about our service to consumers at the time when they are experiencing a financial dispute.

To ensure our service is accessible and easy to use for all complainants, we have consulted with internal and external stakeholders to develop an accessibility framework, reinforced by existing customer experience principles, to embed accessibility into everything we do.

I am particularly proud of AFCA's efforts to design, deliver and promote tailored resources to improve accessibility for community members who value a different approach to communication, such as culturally and linguistically diverse communities.

In the coming year, we will launch AFCA's Reflect Reconciliation Action Plan to ensure strong support, awareness and commitment across the organisation to deliver a culturally appropriate service for First Nations peoples.

We are also continuing to work within the Accessibility and Inclusion Network to review, improve and relaunch existing accessibility resources to support our people working with vulnerable and disadvantaged consumers.

## The year ahead

In the coming year, AFCA will continue to focus on delivering on our strategic priorities.

Our work towards implementing the recommendations of the Independent Review will continue.

We will also be focusing on complaint areas that have seen significant growth, including general insurance claim delays, which are both a direct and collateral result of natural disasters that are putting pressure on the industry's resources.

Other complaint areas we are monitoring are the growing number of disputed transactions, including scams and emerging products and services such as cryptocurrency and buy-now pay-later.

AFCA is also ready to respond should the Compensation Scheme of Last Resort (CSLR) legislation be passed. AFCA has been asked to establish the CSLR entity and operations under its own independent Board, and we are well-placed to meet this important milestone.

In April 2020, AFCA paused all complaints against insolvent financial firms while waiting for the introduction of this legislation. These complaints will continue to be paused and will be assessed once the CSLR bill is enacted into law.

Even though AFCA will only be able to fully assess the impact of the CSLR, and its relevance to paused complaints, once the scheme is legislated, we are ready and resourced to review all relevant complaints should the legislation be passed.

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

## Thank you

I want to thank AFCA's people for their great work over the past year. I continue to be impressed by their unwavering commitment to providing a service that is friendly, helpful and fair for all.

I would also like to thank my Board who provide invaluable expertise and support to AFCA's leadership. During the year, we farewelled Johanna Turner and Alan Wein and thank them for their contributions over the years. We also welcomed Gary Dransfield, who has extensive experience in general insurance, and Delia Rickard, who has a distinguished public service career in consumer policy.

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



**Professor John Pollaers OAM**  
Chair of the AFCA Board





# Chief Executive Officer and Chief Ombudsman message

I am proud to present this year's Annual Review, which highlights all AFCA has achieved in 2021–22.

The challenges posed by natural disasters, the COVID-19 pandemic and the changing economic landscape have all required AFCA to respond and adapt quickly. We implemented a series of targeted efficiency initiatives designed to deliver the fastest pathway to resolution, and improve timeliness and customer experience for members, consumers and small businesses.

These initiatives include the development of specialist teams, strengthened workflow management and triage mechanisms. They also include the use of merit assessments earlier in our process, enhanced exception reporting, aged file prioritisation, key performance indicators for timeliness and enhanced communication to keep parties informed of progress on their complaints.

I am delighted to report that in addition to reducing the average time to resolve a complaint, we have also made significant progress resolving complaints older than 12 months, reducing these cases from 4% of all complaints at AFCA to just 2.4%. These improvements make a big difference to both consumers and our members by resolving complaints faster, and we are committed to continuing this work in 2023.

Over the next year, our new case handling system, customer portal and member portal will result in earlier resolution and an improved experience.

## Customer service

We want every interaction with AFCA to be a great interaction. Our aim is to be a leader in service excellence and provide unparalleled consumer, small business and member experiences.

When you call AFCA, you can expect to wait just 45 seconds on average to speak to one of our highly skilled people.

We answered 119,653 phone calls made to our dedicated consumer line, as well as 14,914 calls to our membership line and 8,005 calls to our COVID-19 support line this year. A sign of the growing need to offer multiple channels to contact us, we also answered more than 21,066 online live chat messages.

Overall customer satisfaction increased by 5%, taking it to 70%, and we aim to increase this again in the coming year.

Member satisfaction also saw a slight increase and reached 77% this year.

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.

This year, we implemented a series of membership service improvements, which has simplified membership renewal processes for our smaller members, many of which are small businesses.

We know it is the day-to-day experiences that are important to our members, and our focus in the coming year is to continue increasing the value we offer and make it easier to do business with AFCA, while focusing on our vision to help members reduce the issues giving rise to complaints and improve their practices.

## Engagement

AFCA plays a unique role in the financial services landscape, and developing strong and meaningful relationships with a broad range of stakeholders is critical to our ability to inform change and influence better practice.

As such, we follow a robust engagement program that includes sharing data and complaint insights through forums, liaison groups, one-on-one meetings, events, consultations, webinars, newsletters and social media.

Over the last 12 months, AFCA has released its updated Datacube, made a number of submissions to inquiries and consultations, and participated in industry and consumer forums.

Alongside the Insurance Council of Australia (ICA) and insurers, we participated in 10 meetings for storm-impacted residents in Victoria, New South Wales and South-East Queensland. We recognised the importance of being able to provide face-to-face advice in badly impacted communities following natural disasters.

We continued our regular Consumer Advisory Panel (ACAP) and Consumer Advocate Liaison Meetings (CALM). These groups are made up of consumer leaders and representatives from advocacy, financial counselling and community legal services.

Similar meetings were held with members. These are known as industry liaison groups to discuss issues relating to members' specific industries. Providing education to our members to improve practices and reduce complaints also continued this year.

AFCA held two virtual member forums, and 4,000 members attended each forum. The forums facilitate a two-way conversation with our members about 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.

In addition, we held seven webinars for members, including a session on RG271, which was co-hosted with ASIC.

I would like to thank all the stakeholders we worked with this year to fulfil our purpose to provide fair, independent and effective solutions for financial disputes, and a service that meets diverse community needs and is trusted by all.

## Systemic issues

This year, we identified and reported to regulators 67 definite systemic issues and 23 serious contraventions of the law. Our systemic work has secured refunds of \$18,275,607 for 167,033 consumers and resulted in a range of regulatory enforcement action being taken.

Work on our Systemic Issues Transformation is well underway. This three-year strategic initiative will enhance our systemic issues function to become world-class leaders in the identification and investigation of systemic issues by using data and analytics for early detection and efficient investigation. This vital work is drawing on stakeholder feedback and the Independent Review recommendations to design a customer-focused and data-driven future state, around core purpose and operating principles.

## Our culture story

In April, we launched our Culture Story, defining AFCA's 'People for Purpose' culture. Understanding AFCA's current culture and how we want to develop our culture, is critical to our aspirations of becoming a world-class ombudsman scheme.

Collectively, our people bring a wide range of skills and technical experiences, as well as diverse backgrounds and varied life experiences. This diversity of experience also brings diversity of thought. It enables us to offer a better service and reflect the community we serve.

**“I am proud of AFCA’s culture, the people who work here and our shared commitment to serve the community.”**

Culture drives engagement, and I am particularly proud of the results of the AFCA staff engagement pulse survey in May 2022, which found that:

- 88.9% of employees are proud to work for AFCA
- 80.7% of employees think AFCA is a truly great place to work
- 81% of employees feel they belong at AFCA.

We want to harness this engagement and drive a culture that promotes effectiveness, efficiency and innovation. We want to ensure that our people have an understanding of what it might be like to walk in a consumer's shoes. We want to empower our people go the extra mile to deliver human-centered and inclusive experiences to our complainants and members.

I am proud of AFCA's culture, the people who work here and our shared commitment to serve the community. Over the coming year, we will work to promote our shared cultural values and embed them in everything we do.

## Commitment to diversity and inclusion

AFCA is committed to providing a service that is accessible to everyone. We are particularly focused on ensuring vulnerable and disadvantaged people can readily use our service.

We already provide a wide range of ways to interact with us, along with additional support at no cost to the customer.

A key element of our commitment to ensure accessibility is our cross-functional Accessibility and Inclusion Network. This sees over 40 AFCA people driving innovations across the whole organisation to achieve continuous improvement over three priority areas: Reconciliation, Mental Health and Pride.

The Network is sponsored by AFCA's Deputy Chief Ombudsman Dr June Smith and governed by a council of senior people who bring a strategic lens to initiatives and activities.

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

In 2021–22, the Mental Health Group conducted over 50 in-depth interviews across AFCA to research and document the observations of our people working with customers who have experienced stress, anxiety, panic attacks, post-traumatic stress disorder and a range of mental health conditions.

Insights from these focus interviews were integrated into a proactive plan of action to change and improve the way we work with each other and vulnerable members of the community.

AFCA's Reconciliation Group was also formed in 2021 to create our first Reflect Reconciliation Action Plan (RAP), submitted to Reconciliation Australia in June 2022 to start the endorsement process.

Reflection is necessary for growth, and this work demonstrates the commitment all our people have towards creating an environment that supports greater economic and financial participation and inclusion for First Nations peoples.

We are embracing the RAP journey with open hearts and minds, and we recognise and will be guided by the knowledge, wisdom and longevity of First Nations' cultures as we grow from this experience.

The Ally Network held several events that acknowledged important LGBTQIA+ milestones throughout the year, and members provided education opportunities for staff and answered LGBTQIA+ related questions.

## Flexibility and equality

To reflect our culture and strengthen our commitment to flexibility and equality, this year we also introduced enhanced leave benefits for our staff.

The enhanced leave benefits include increased paid parental leave and superannuation payments for those who take leave. We removed traditional references to primary and secondary caregivers, and increased flexibility to take parental leave within a two-year period, as well as paid leave for early pregnancy loss and gender affirmation.

These changes support our ongoing commitment to flexible working and equality while improving staff retention and engagement.

## Thank you

I would like to thank AFCA's Chair and Board for their diligent, wise and valued governance of AFCA.

Finally, I would like to thank all AFCA's staff for their hard work and professionalism over the last year. Our service is delivered by our people, and it is your ongoing dedication to your work, your passion for fairness and your belief in access to justice that has ensured we can provide our vital service to the Australian community and financial industry during a challenging and ever-changing year.

I look forward to continuing our work in 2022–23.



**David Locke**

Chief Executive Officer and Chief Ombudsman

# Organisational overview



# The Australian Financial Complaints Authority

**AFCA's purpose is to provide fair, independent and effective solutions for financial disputes. That's what AFCA does.**

We are Australia's financial industry ombudsman. Our service is offered as an alternative 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 and 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 determination in accordance with the decision making powers under its Rules.

However, the vast majority of complaints are resolved by complainants and financial firms through the referral back process, negotiation, conciliation and our early assessment.

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.

# Our strategy

## 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.

## Values

- Fair and independent
- Transparent and accountable
- Honest and respectful
- Proactive and customer-focused

**“I would like to share my sincere appreciation for your dedication, honesty and empathy you demonstrated throughout working on this complaint and the complexity of the circumstances.”**

*- Feedback from a member*

## What our values mean

### 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.

## Our strategic focus

Our strategy provides the guiding framework for all our operations, programs and initiatives. It clarifies our purpose and describes our vision of becoming a world-class ombudsman service, improving practices and minimising disputes, meeting diverse community needs and trusted by all.

To deliver on our purpose, we have designed five strategic themes to help us focus on what matters most and ensure we successfully deliver on our strategy.

### AFCA's five strategic themes



Customer service



Efficiency



External engagement



Data and technology



People experience

# Progress in 2021–22

We have made significant progress against our strategy and five strategic themes despite a challenging environment. This has primarily been achieved through the delivery of key activities, projects and improvements to operational performance that are focused on transforming AFCA into a world-class organisation.

## Customer service

**Our services are accessible to the diverse community we serve, simple and tailored. We will design ideal member, consumer and small business experiences.**

Our aim is to be a leader in service excellence, providing unparalleled consumer, small business and member experiences.

To achieve this, we are building a customer service model that champions helpfulness in all of our dealings. We believe interactions should be well designed, tailored and simple, making it easy for our customers to access timely and fair resolution of their disputes. We are ensuring the community is aware of our services and we are accessible to the diverse community we serve.

### **This year we:**

- answered 119,653 phone calls made to our dedicated consumer line, as well as 14,914 calls to our membership line and 8,005 calls to our COVID-19 support line
- achieved an average call wait time of just 45 seconds

- answered more than 21,066 online live chat messages
- achieved an overall customer satisfaction result of 70%, a positive increase of 5% since last year
- achieved an overall member satisfaction result of 77%, a steady increase of 1% since last year
- delivered critically important material such as the Easy English Fact sheet, which was published to improve AFCA's accessibility
- published AFCA's Fairness Jurisdiction Project Outcomes report, summarising the work undertaken to ensure AFCA's fairness jurisdiction is well understood by stakeholders, applied consistently and independently, and in a way that is fair for members and complainants.

Additional information on how we served our customers can be found under Complaints (see page 35), Membership (see page 22) and Engagement (see page 114).



## Efficiency

**We will design our services for efficiency through the proactive, streamlined and timely resolution of complaints.**

At AFCA, we want to continuously improve the essential services we provide to our customers. We have a strategic focus on efficiency, as part of our ongoing transformation, and ensure we can design our services and support our people for efficiency to enable a better customer and people experience throughout the process.

During the year, we faced some significant challenges impacting our efficiency due to the ongoing impacts of COVID-19. However, we have still made considerable improvements to uplift efficiency and improve timeliness throughout the year.

### **This year we:**

- resolved 71,152 complaints
- reduced the average time to resolve a complaint from 76 days (2020–21) to 72 days (2021–22)
- implemented a number of targeted initiatives and strategies to reduce allocation queues and the overall complaints sitting with AFCA for more than 365 days from 4% to 2.4% of total open complaints
- successfully implemented AFCA's new funding model, which is designed to be efficient, sustainable, responsive and to support early resolution of complaints
- implemented and launched a predictive complaint forecasting and triage model to improve and evolve forecasting and provide a better, faster experience for consumers, small business and members.

## External engagement

**We will be targeted and purposeful in our engagement and use our insights to build trust in and contribute to a better financial sector.**

We are focused on developing strong and meaningful relationships with key external stakeholders. From consumer and industry bodies through to regulators and government, we recognise the important role this plays in achieving our purpose and realising our vision. AFCA is working to grow and maintain community trust and confidence in our service and decision-making, and successful engagement with our stakeholders supports this goal.

Our senior staff 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.

### **This year we:**

- raised community awareness of AFCA and our services, resulting in ongoing improvements in overall community awareness throughout the year
- attended events in multiple capacities including as keynote speakers and presenters, panel discussion members, and training workshop hosts and facilitators
- received 760,380 unique visitors and 3,224,821 total page views on the AFCA website
- had 2,588 Twitter followers, 3,096 Facebook page followers and 13,578 LinkedIn followers.

For more information about AFCA's engagement, see page 114.

## Data and technology

**We will deliver effective technology and sophisticated use of data, for an enriched digital experience for our customers and our people.**

Data and technology are key enablers for our organisation's agility and innovation. Our focus is on providing an enriched digital experience and actionable insights for our customers and our people. We will do this through data and integrated enterprise systems that are streamlined, and supported by flexible and secure infrastructure.

We are currently undertaking an exciting project to upgrade our IT systems that will change the way we do business.

These updates will modernise our systems and provide a range of benefits, including a completely redesigned member portal, which will make it easier to interact with AFCA, and a new consumer portal where complainants can manage their open complaints and documentation. Both are seamlessly integrated within a new case management system.

Investing in our IT and business systems is critical if we are to reach our goal of being a world-class ombudsman service.

For consumers and small businesses, we are focusing on achieving accessible, simple and tailored customer experiences that make it easy to deal with us, and provide fair and timely outcomes.

For members, we are focusing on making it easier to do business with us, supported by a service offering that assists members to improve complaint handling and minimise disputes.

### **This year we:**

- made significant advancements in designing new IT systems that will modernise our platforms and provide a range of benefits to our customers and our people
- successfully updated the AFCA Datacube, providing important and valuable insights to members and stakeholders
- implemented and launched the online self-service Member Benchmarking Dashboard to share product insights and member data in real time
- implemented 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
- achieved core system availability 99.9% of the time throughout the year.

## People experience

**We will make sure we are actively enhancing the people experience to make AFCA a truly great place to work.**

We have a clear strategic goal to have highly skilled and engaged people with the tools they need to deliver high-quality outcomes. Our people provide the services we deliver and are the driving force behind the impact we have in the diverse community we serve. This year we prioritised AFCA's people experience and delivered the foundations required to support our long-term sustainability.

### **This year we:**

- launched our Culture Story, defining our 'People for Purpose' culture that is driven by our purpose and embodies our values
  - achieved an overall employee engagement score of 79% in our October 2021 Insight Employee Experience survey. This is an increase of 4% from the previous year's survey and well above industry benchmarks
  - evolved our wellbeing offering and implemented a wellbeing framework to support employees and managers that resulted in an overall employee wellbeing score of 87% in the October 2021 Insight Employee Experience survey
- supported our people to move to a hybrid mix of working from home and the office following the easing of COVID-19 restrictions
  - focused on creating opportunities for career progress, capability uplift and enterprise learning to ensure our people have the right opportunities, learning resources and support to be experts in what they do.

AFCA and our people received a number of awards throughout the year:

- AFCA's Decision Maker team was presented with the Ombudsmen and Commission Group of the Year Award at the Annual Australian ADR Awards 2021
- Steven Short, Customer Service Team Manager, was presented with the Society of Consumer Affairs Professionals' (SOCAP) Stellar Achievement Award 2021
- AFCA's Communications and Brand team was presented with the Bronze PRIA Golden Target Award for internal communications campaigns
- AFCA's People and Culture team was a finalist in the Australian HR Awards 2021 'Team of the Year' category.

For more information about AFCA's people and culture, see page 124.

# Our members

All Australian financial services licensees, Australian credit licensees, authorised credit representatives and superannuation trustees are required to be members of AFCA. Our members include banks, insurers, credit providers, financial advisers, debt collection agencies, superannuation trustees and many more.

AFCA can receive complaints about a member's service from consumers and small businesses, and will work with all parties to resolve the complaint fairly. Members also receive complaints handling data, insights and guidance from AFCA to help them improve their service and prevent future complaints.

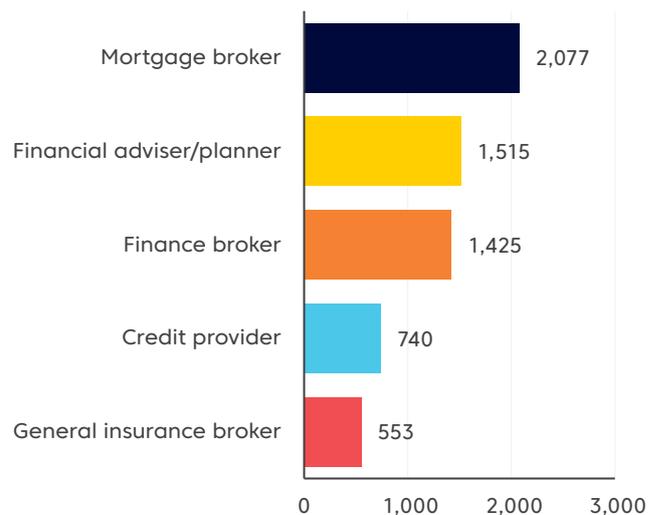
AFCA had 42,488 members at the end of June 2022. Around three quarters (32,032) were authorised credit representatives (ACRs), while 10,456 were Financial Services Providers (FSPs).

The majority of our members are small and medium enterprises, such as mortgage brokers, finance brokers, financial advisers/planners, credit providers and accountants.

Most of our members do not have complaints made against them. In 2021–22, only 16% of members received a complaint about them, the same as the previous year.

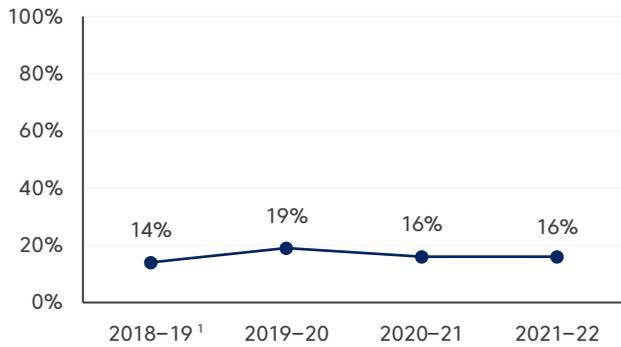
	2018–19 <sup>1</sup>	2019–20	2020–21	2021–22
Number of members at 30 June	37,488	40,493	40,760	42,488
Percentage of members who were ACRs	72%	74%	74%	75%
Percentage of members who were FSPs	28%	26%	26%	25%

## Most common financial firm type 2021–22

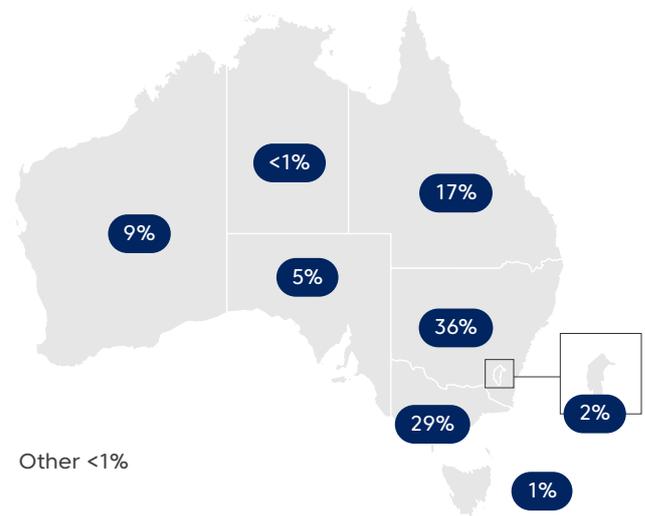


<sup>1</sup> AFCA commenced on 1 November 2018. The 2018–19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18–19 and 19–20 have been calculated pro rata using monthly averages.

### Percentage of financial firms that had a complaint about them



### Percentage of members by state and territory



### Top five member types with the most complaints

2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Bank (16,083)	Bank (28,411)	Bank (26,281)	Bank (28,339)
General insurer (9,306)	General insurer (15,748)	General insurer (13,896)	General insurer (15,487)
Credit provider (7,052)	Credit provider (9,857)	Credit provider (8,216)	Credit provider (7,811)
Debt collector or buyer (1,887)	Superannuation fund trustee/adviser (4,734)	Superannuation fund trustee/adviser (3,643)	Superannuation fund trustee/adviser (3,765)
Superannuation fund trustee/adviser (1,706)	Debt collector or buyer (2,607)	Underwriting agency (2,115)	Life insurer (1,962)

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

## Member Benchmarking Dashboard

One of AFCA's strategic goals is to provide a valued member experience that helps members improve internal practices to avoid or resolve disputes.

In November 2021, we launched a new digital platform to help financial firms better manage disputes that reach the ombudsman service.

The new AFCA Member Benchmarking Dashboard is an interactive platform for financial firms that provides near real-time complaints data and gives individual firms a greater understanding of their complaints, including how quickly they are being resolved. It also enables firms to compare their performance against an anonymised set of similar financial firms.

The dashboard was a significant milestone that will ultimately help financial firms reduce customer complaints.

Since launching, the dashboard has been viewed 3,438 times.

**“Using the new dashboard, AFCA members can investigate the types of complaints they receive, how well they respond to disputes, and how their performance compares to other firms in their industry. By providing members with greater data and insights, we hope to help financial firms improve customer service and minimise disputes.”**

*- David Locke*

## Use of member funds

AFCA is funded by annual member registration fees, user charges and complaint fees received from member financial firms and ACRs.

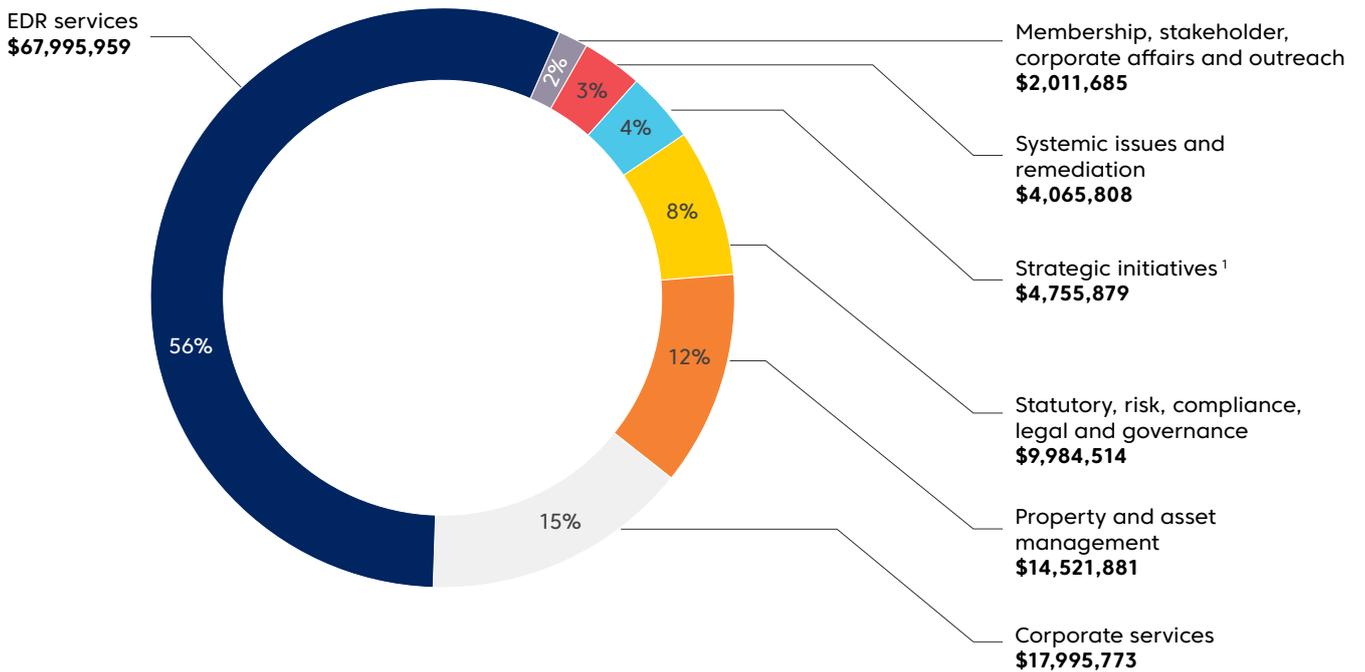
All Australian financial firms must be members of AFCA by law and are required to pay their registration fee and other complaint-related charges and to contribute to our operating costs.

If we receive a complaint against a firm, the firm is required to pay an individual complaint fee.

Our services are free of charge to small businesses and consumers who make a complaint.

The chart below outlines how AFCA used its funds in 2021–22.

For more details on our use of funds, please refer to our financial statements on page 147.



<sup>1</sup> AFCA is currently undertaking an infrastructure replacement project to replace aging legacy technology which is captured in the strategic spend category. You can learn more about this project on page 20.

# AFCA Independent Review



# About the AFCA Independent Review

**AFCA is regulated by the Australian Securities and Investments Commission (ASIC) in accordance with RG267 'Oversight of the Australian Financial Complaints Authority' which requires AFCA to be periodically, independently reviewed.**

In 2021, AFCA was pleased to take part in the first independent review of our functions and performance. The Review concluded in November 2021 with the public release of the Independent Review report.

The outcomes of the review were very positive. Key findings were that 'AFCA is performing well in a difficult operating environment and a changing regulatory landscape' and 'AFCA's decision-making is fair, independent and efficient'.

In the report, the reviewers affirmed AFCA's 'critical role in providing consumers and small business with access to a binding, out-of-court dispute resolution service', and the benefit to financial firms and consumers from this service 'as an alternative to a court or tribunal process'.

The report confirmed that AFCA's average time to resolve disputes compared favourably to the performance of predecessor schemes — Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT) — as well as its international counterpart in the United Kingdom. In the first two years of operation, AFCA's overall average time to resolve disputes was 74 days.

The report contained 14 recommendations, with 13 focusing on enhancements and improvements to AFCA's services. There was one recommendation for government to amend the *National Consumer Credit Protection Act 2009* (Cth) to no longer require authorised credit representatives to be members of AFCA.

We are committed to the continuous improvement of dispute resolution services for all parties and agree in principle with all recommendations.

By March 2022, AFCA had designed a comprehensive three-year program of work to manage the implementation of recommendations in a coordinated way. AFCA's goal is to consolidate its place in the Australian financial system by responding appropriately to the Review, improving in all areas identified by the Review and being well-positioned for the next Review.

To date, we have made progress on 12 of the 13 recommendations made to AFCA.

More information about the program is publicly available on the AFCA website.

# Progress against Independent Review recommendations

**1. Dealing with further issues raised during the complaint process**

Status: **On track for completion in 2024**

New project

**2. Ensuring all AFCA decisions consider what is fair in all circumstances**

Status: **On track for completion in 2023**

Existing work underway

**3. Not advocating or acting in a manner that compromises impartiality**

Status: **On track for completion in 2024**

Existing work underway

**4. Addressing poor conduct by some paid advocates**

Status: **On track for completion in 2023**

Existing work underway

**5. Improving transparency of timeliness and better managing timeliness expectations**

Status: **On track for completion in 2024**

Existing work underway

**6. Complaints from sophisticated or professional investors**

Status: **On track for completion in 2022**

Existing work underway

**7. Ensuring funding model design does not disincentivise firms from defending complaints**

Completed in 2022

**8. Improving transparency of AFCA fees and the services and activities they fund**

Completed in 2022

**9. Enhancing visibility, accessibility and independence of the forward-looking review mechanism**

Status: **On track for completion in 2023**

New project

**10. Improving visibility of the Independent Assessor to all parties to a complaint**

Status: **On track for completion in 2022**

New project

**11. Consulting on AFCA Approaches prior to finalisation to identify unintended consequences**

Status: **On track for completion in 2023**

New project

**12. Systemic issues that have been referred to ASIC or another regulator**

Status: **On track for completion in 2022**

Existing work underway

**13. Improving transparency of systemic issues in public reporting**

Status: **On track for completion in 2022**

Existing work underway

**14. Amending legislation to no longer require authorised credit representatives to be AFCA members**

Status: **Legislative change required**

For Government

# Independent Review project highlights

## Fairness and approaches – recommendations 2 and 11

In 2019, prior to the Independent Review, AFCA launched its Fairness Jurisdiction Project to provide staff, our members and complainants greater certainty about how we operate our fairness jurisdiction. Following significant consultation with stakeholders over a two-year period, in May 2022, we published the Fairness Jurisdiction Project Outcomes report. This outlines the resources AFCA has developed to ensure its fairness jurisdiction is well understood and that it is applied consistently and independently, and in a way that is fair for all parties.

These include:

- benchmarking AFCA's jurisdiction both domestically and internationally
- a new Fairness Jurisdiction Tool that ensures AFCA can discuss important issues for resolution with the parties in plain language
- new decision templates to clearly explain how AFCA has applied the fairness tests in its complaint handling and why decisions made are fair in all the circumstances

- an apprehended bias policy to ensure AFCA's people remain impartial when working with the parties to resolve complaints
- the AFCA Engagement Charter that clearly sets expectations of how parties should engage with each other and AFCA to ensure a fair process
- a revised AFCA Approach library providing members and complainants with easy-to-understand information about how we handle specific types of complaints
- new processes to calculate and capture fair outcomes once achieved.

The AFCA Independent Review also contained a recommendation that AFCA should ensure consultation is undertaken on each Approach document prior to final publication.

AFCA is already working on several Approach documents and will be consulting with members, industry and consumer groups on these over the coming year.

## Case management merits assessment (Rule A.8.3) – recommendations 4 and 7

AFCA's new process for applying AFCA Rule A.8.3 is another critical project, which supports recommendations 4 and 7 of the Independent Review. It focuses on addressing poor conduct by some paid advocates and ensuring our funding model design does not disincentivise firms from defending complaints.

AFCA conducted a pilot program between 1 April and 30 June 2021 that assessed the merit of certain kinds of complaints at the very early stages of our Fast Track system.

The pilot program was in direct response to stakeholder feedback, with some members telling us the cost of paying for a determination on complaints that lacked merit can outweigh the initial service or product offered to a customer. As a result, some members found they were accepting complaints for commercial reasons, rather than fairness.

After a successful pilot program, AFCA has now made its Case Management merit assessment a permanent feature of our process, allowing us to assess complaints without merit through Case Management and use our discretion under Rule A.8.3 to decline to consider the complaint.

Under Rule A.8.3, AFCA can cease consideration of a complaint in circumstances where the:

- complaint is without merit
- complainant has suffered no loss (or has been appropriately compensated for such loss and AFCA would not award any further amount)
- financial firm has committed no error.

This means in circumstances where a complaint may be within jurisdiction and has proceeded to Case Management, an AFCA case worker will consider the nature of the complaint and supporting information to decide if it is appropriate to consider the complaint further.

Between 1 July 2021 and 30 June 2022, AFCA considered more than 840 complaints under this new process.

The Member Benchmarking Dashboard has recently been updated so that members can view closures by Rule A.8.3 Case Management merit assessments.

This will provide greater visibility to each member on how many complaints close every month because a merits assessment was issued, as well as a trend over time.

## Timeliness – recommendation 5

Recommendation 5 of the Independent Review outlines how AFCA can improve transparency and reporting of timeliness. Specifically, it says AFCA should:

- continue to publish data on its timeliness and start publishing data on the full range of complaints it resolves, including those that extend beyond 12 months
- better manage expectations around timeframes in its communication with parties to a complaint
- focus on improving the timeliness of complaints that remain unresolved beyond 12 months.

AFCA already has a range of work underway to address recommendation 5, including a continuous improvement program focused on operational efficiency and effectiveness. This includes replacing our complaint management system and upgrading the Member Portal as part of our IT transformation project. We also have an internal working group focused on addressing aged complaints.

Significantly, the average time to resolve a dispute is down from 76 days in 2020–21 to 72 days in 2021–22. This is a great result and indicates that AFCA's recent work is having an impact on complaint closures and shows that members are continuing their efforts to resolve complaints in a timely manner. Last year, AFCA developed an Engagement Charter to summarise what it expects from all users of its service, including AFCA.

This document has helped us manage challenging behaviours that also create delays in resolving complaints.

We have made significant progress on closing aged cases in the last 12 months, reducing these cases from 4% of all complaints at AFCA to just 2.4%. Upcoming work, especially within our IT transformation program, will continue to improve timeliness.

It is important to also recognise the need to balance reducing the age of complaints with the needs of complainants. Some complainants require additional assistance and time in order for the process to be fair. In April, we updated our Operational Guidelines to reflect changes to how and when parties to a complaint can request an extension of time to resolve a complaint during the refer back period.

In terms of transparency, our IT transformation work will also allow us to use data, analytics, and automation to improve processes and provide greater insights on complaints and how they progress through AFCA's process.

We will continue to report annually on complaints, including on the timeliness of complaints handling. This year, we have published additional data and financial information in this Annual Review to increase transparency of our work and are looking at other ways we can regularly share data with our stakeholders.

## Sophisticated investors – recommendation 6

Recommendation 6 of the Review states AFCA should exclude complaints from sophisticated or professional investors, unless there is evidence that they have been incorrectly or inappropriately classified.

AFCA has established a dedicated internal working group focused on addressing how we respond to these complaints. In the coming year AFCA will provide more clarity about the process and how it will exclude these complaints when appropriate. This will include an update to AFCA's Operational Guidelines and the development of internal resources to support staff to implement the process.

## Funding model – recommendations 7 and 8

In early 2021, AFCA appointed PwC to undertake a review of its current funding model and develop a new model that would be fit-for-purpose, sustainable and fair to AFCA members.

In developing the new model, AFCA and PwC took AFCA member and stakeholder feedback into account and considered the key findings and recommendations of the recently published AFCA Independent Review.

The model was developed with a focus on a ‘user-pays’ approach that reduces the burden on smaller members and those industries that are not heavy users of AFCA. It also minimises cross-subsidisation across sectors and supports firms to better forecast and budget for complaints.

In March 2022, AFCA consulted members, industry bodies and other stakeholders on the new funding model design. To give members and stakeholders multiple opportunities to learn about the model and provide feedback, AFCA adopted a new consultation approach designed to be flexible to member needs, share information in different formats, and provide details on the change impact for specific industries and business sizes.

The consultation included more than 60 meetings with peak bodies and members likely to experience a significant change to costs, five webinars open to all members, and the delivery of 11,000 individual impact assessments tailed to each financial firm.

Following the consultation, AFCA finalised a funding model that is fit-for-purpose, sustainable and fair. The new model includes a single registration fee, a simplified complaints fee structure and five free complaints a year for all members.

Overall, 95% of licensed financial firm members of the AFCA external dispute resolution scheme will pay only their annual registration fee, which has been set at \$375.55 for the coming financial year. Among authorised credit representatives, 99.9% will pay only \$65.98 annually – which is the same amount as their annual membership levy for the past year.

Under the new model, approximately 90% of AFCA members will see a positive or neutral impact on total fees. The 10% of members that are expected to experience an increase in costs are heavy users of AFCA’s service, and their increased fees will more accurately and fairly reflect their usage.

The model minimises the cross-subsidisation across sectors that was occurring under the interim model, which was put in place at AFCA’s inception in 2018. It considers both the volume of complaints registered for a firm, along with the time taken to resolve them.

The superannuation levy has been abolished and super funds have been brought under the same fee structure as other members. This will have a positive or neutral impact for most super fund trustee members.

We will continue to monitor the performance of the new model over the coming year, including making sure positive, fair, and equitable member and complainant resolution behaviours are occurring.

You can read more about the funding model on our website: [afca.org.au/members/funding-model](https://afca.org.au/members/funding-model)

## Independent Assessor – recommendation 10

Recommendation 10 states AFCA should increase the visibility of the Independent Assessor function.

To date, AFCA has made improvements to visibility and accessibility of information about AFCA’s Independent Assessor and our service complaints process.

These include:

- refreshed information on how AFCA handles feedback and complaints about our service, published on our website and the Member Portal
- new information on the Independent Assessor, with additional information on steps to follow when lodging a complaint, as well as updated frequently asked questions.

In the next quarter, AFCA will publish two new videos about the Independent Assessor and our service complaints and feedback process to ensure this information is available in multiple accessible formats.

You can learn more about the work of the Independent Assessor on page 134.

## Systemic issues – recommendations 12 and 13

AFCA plays a critical role in the broader consumer protection framework through the identification, remediation and reporting of systemic issues and possible serious misconduct to regulators at ASIC, the Australian Prudential Regulation Authority (APRA) and the Australian Taxation Office (ATO).

Recommendations 12 and 13 of the Independent Review provided feedback on AFCA’s systemic issues function.

AFCA had already completed its own review of the systemic issues function prior to the Independent Review, and we initiated the Systemic Issues Transformation project to address the different roles AFCA and regulators play. The project also looks at how we can improve transparency through enhanced public reporting. In 2022–23 this will be a key strategic project for AFCA.

Transformation of AFCA’s systemic issues and

remediation function will increase our ability to be innovative and effective. This will occur through the proactive use of data-driven analytics to identify and report systemic issues to regulators. We will be able to share insights with industry in real time, providing financial firms with the earliest opportunity to investigate and remediate potential issues affecting consumers and small businesses; thereby, reducing the need for complaints to be lodged with AFCA.

You can learn more about AFCA’s systemic issues work on page 102.

For updates and more information about each of the recommendations, visit [afca.org.au/news/afca-independent-review](https://afca.org.au/news/afca-independent-review)

# Complaints



# Who complained to AFCA?

AFCA is a free service for consumers and small businesses. Our goal is to provide an excellent customer experience that meets diverse needs and delivers fair and timely outcomes.

For the first time, this year's Annual Review includes comparative data for the previous four years where possible. There are non-material changes to some statistics reported in previous Annual Reviews. These differences are due to changes and improvements in our data capture and reporting capabilities.

## Complainants by state and territory

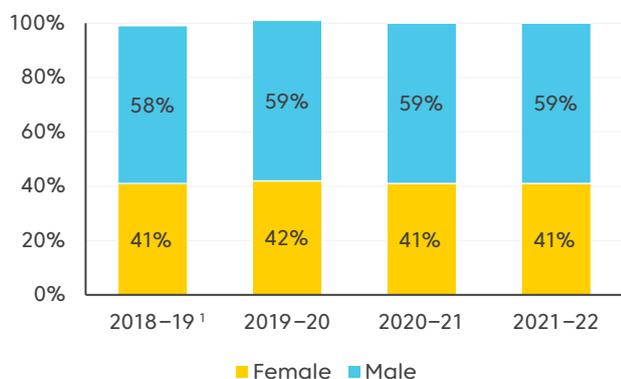
	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
New South Wales	30%	30%	30%	30%
Victoria	28%	27%	28%	28%
Queensland	19%	18%	18%	18%
Western Australia	9%	10%	9%	8%
South Australia	6%	5%	5%	6%
Australia Capital Territory	1%	2%	2%	2%
Tasmania	1%	1%	1%	1%
Northern Territory	1%	1%	1%	1%
Not provided	6%	7%	8%	7%
Other countries	1%	1%	1%	1%

## Age of complainants

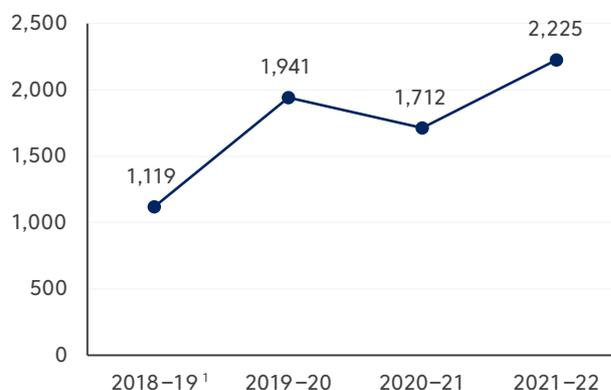
	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
0-17	1%	1%	1%	1%
18-24	1%	1%	2%	2%
25-29	4%	5%	5%	6%
30-39	20%	21%	22%	22%
40-59	43%	44%	43%	44%
60+	25%	24%	23%	21%
Not provided	14%	12%	13%	12%

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

### Gender of complainants



### Complainants identified as First Nations peoples



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

	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Mandarin	180	283	269	258
Arabic	71	99	76	73
Cantonese	42	44	45	63
Taiwanese	9	26	27	55
Vietnamese	30	62	42	42
Persian (Farsi)	21	57	38	38
Afrikaans	19	48	19	25
Punjabi	15	18	19	23
Greek	13	21	20	21
Hindi	10	32	13	19

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

# Overview of complaints

In November 2022, AFCA will have been operating for four years. In this time, we have grown and matured rapidly, and worked hard to ensure fair and timely processes and outcomes for all parties involved in complaints.

Between 1 July 2021 and 30 June 2022, AFCA resolved 71,152 complaints, bringing the total number of complaints dealt with by AFCA to more than 270,000 since we opened our doors on 1 November 2018.

This year, the most complained about products were credit cards, personal transaction accounts, home loans, home building insurance and motor vehicle insurance.

It was pleasing to see complaints involving financial difficulty decrease to 4,442, but in the coming year, AFCA will be working closely with industry and consumer groups as we monitor the impact of cost-of-living pressures and higher interest rates and repayments.

The flooding and storms that have taken place along the east coast of Australia over the last six months have significantly impacted many communities in New South Wales and Queensland. Of the complaints lodged with AFCA in the last year, more than 1,500 were related to natural disasters, which is more than double the complaints from such disasters in the previous year.

Of concern, there has been a 54% increase in complaints about general insurance claim delays (from 3,126 in 2020–21 to 4,804 in 2021–22) both a direct and collateral result of natural disasters putting pressure on the industry's resources.

Other areas of focus for AFCA are the growing number of disputed transaction complaints, including scams and complaints related to emerging products and services such as cryptocurrency and buy now pay later.

AFCA received 4,131 scam complaints during the financial year ended 30 June 2022. On average, this is around 340 a month, which is up 17% on last year. It's not just the volume of complaints involving scams that's increasing, but also the sums involved.

We are seeing scams resulting in losses of over a million dollars and often beyond our jurisdictional limit, particularly in relation to investment and romance scams.

In the cryptocurrency space, we received only 198 complaints and closed 204 complaints (complaints closed included those received in the previous year). However, this is because cryptocurrency is not a regulated financial product under the Corporations Act. Some providers have chosen to be members of AFCA voluntarily, or have joined as a condition of membership of an industry association. We expect complaints in this space to rise as more consumers use this product, and more crypto providers become members.

We are also expecting an increase in complaints about the provision of buy now pay later payment options. Buy now pay later is generally not considered to be 'credit' under existing legislation. This means the provision of these services, and membership of AFCA in relation to them, is voluntary. AFCA currently has 10 financial firms identified as belonging to this category.

AFCA received 1,064 buy now pay later complaints in the last 12 months. We expect that with the rising cost of living and inflation, more people will access these products, which may see an increase in complaints in this area.

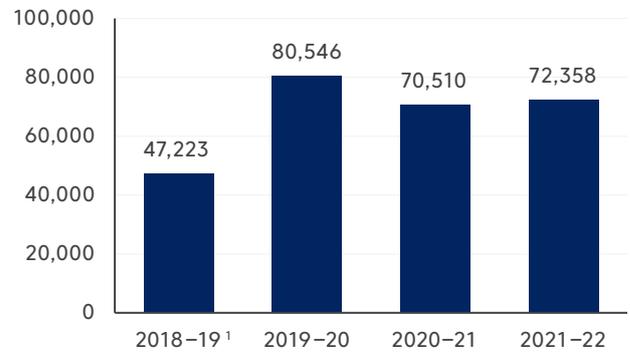
In the 2021–22 financial year, we excluded 8,282 complaints as being outside AFCA's jurisdiction. The majority of these complaints (77%) were excluded on the basis of a mandatory exclusion.

The most common reason a complaint was outside the Rules was because a financial service was not provided, with 2,414 (29%) 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.

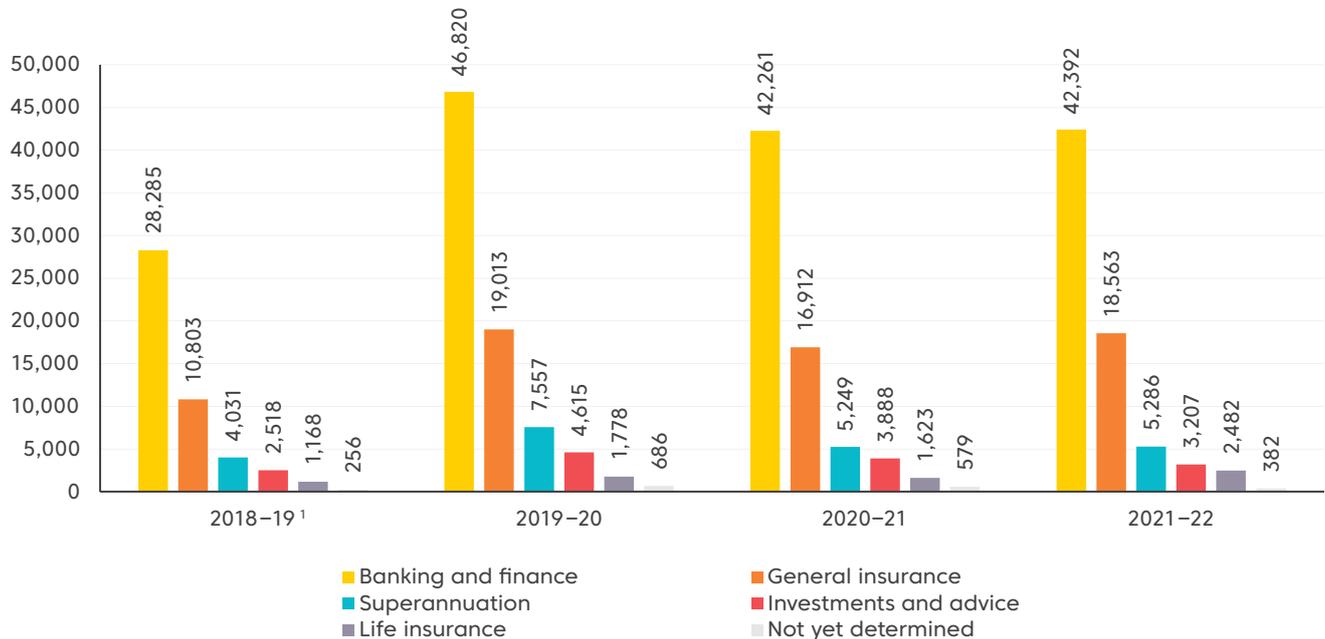
In 2021–22, successful complainants secured more than \$207 million in compensation and refunds. In addition, AFCA’s investigations into a range of systemic issues also resulted in remediation payments to consumers totalling \$18,275,607.

As at 30 September 2022, AFCA has helped to secure \$883.39 million in compensation and refunds since commencing operation on 1 November 2018. Over \$250 million has also been refunded as a result of AFCA’s systemic issues work.

### Complaints received



### Complaints received by product line



<sup>1</sup> AFCA commenced on 1 November 2018. The 2018–19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18–19 and 19–20 have been calculated pro rata using monthly averages.

### Top five complaints received by product and number of complaints

Product	2018–19 <sup>1</sup>	2019–20	2020–21	2021–22
Credit cards	7,112	11,628	9,903	9,153
Personal transaction accounts	1,819	3,815	5,758	7,416
Home loans	4,085	7,608	6,400	6,439
Home building	1,887	3,616	3,527	6,120
Motor vehicle – comprehensive	2,680	4,104	4,386	5,791

### Top five complaints received by issue and number of complaints

Product	2018–19 <sup>1</sup>	2019–20	2020–21	2021–22
Service quality	2,405	5,685	6,880	8,744
Unauthorised transactions	2,927	5,081	5,048	6,398
Delay in claim handling	2,716	5,169	4,773	6,259
Claim amount	2,376	3,774	3,693	4,419
Interpretation of product terms and conditions	737	1,333	1,785	4,071

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018–19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18–19 and 19–20 have been calculated pro rata using monthly averages.

# Open cases

As at 30 June 2022, AFCA had 17,826 open cases. Over half (54%) of these open cases were less than 60 days old. Twelve per cent of open cases were over a year old.

The age of open cases is impacted by a number of factors. These include the referral back timeframe (the time an AFCA member is allowed to initially respond to the complaint, including the number of complaints the financial firm is permitted to resolve through internal dispute resolution), which varies from 21 to 90 days depending on the product and/or issues raised by the complaint.

In 2021–22, 12% of open cases were over 365 days old. The majority of these cases (77%) related to complaints that we are unable to progress due to insolvency or litigation through the courts, such as the Business Interruption Test case (see page 71). Other factors that impacted the age of cases included the continuing resolution of legacy cases (see page 99) and CIO cases (see page 112), and the need to provide more time for vulnerable consumers when resolving their complaints.

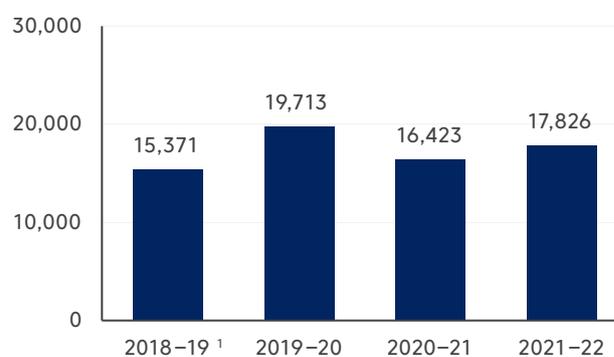
For complex complaints that can take beyond 365 days, we have reduced the age profile from 4% of open cases on 30 June 2021 to 2.4% on 30 June 2022.

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

These initiatives include the development of specialist teams, strengthened workflow management and triage mechanisms, the use of merits assessments earlier in our process, enhanced exception reporting, aged file prioritisation, key performance indicators for timeliness and enhanced communication to keep parties informed of progress.

Upcoming work, especially within our IT transformation program, will continue to improve timeliness.

## Open cases at 30 June



<sup>1</sup> AFCA commenced on 1 November 2018. The 2018–19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18–19 and 19–20 have been calculated pro rata using monthly averages.

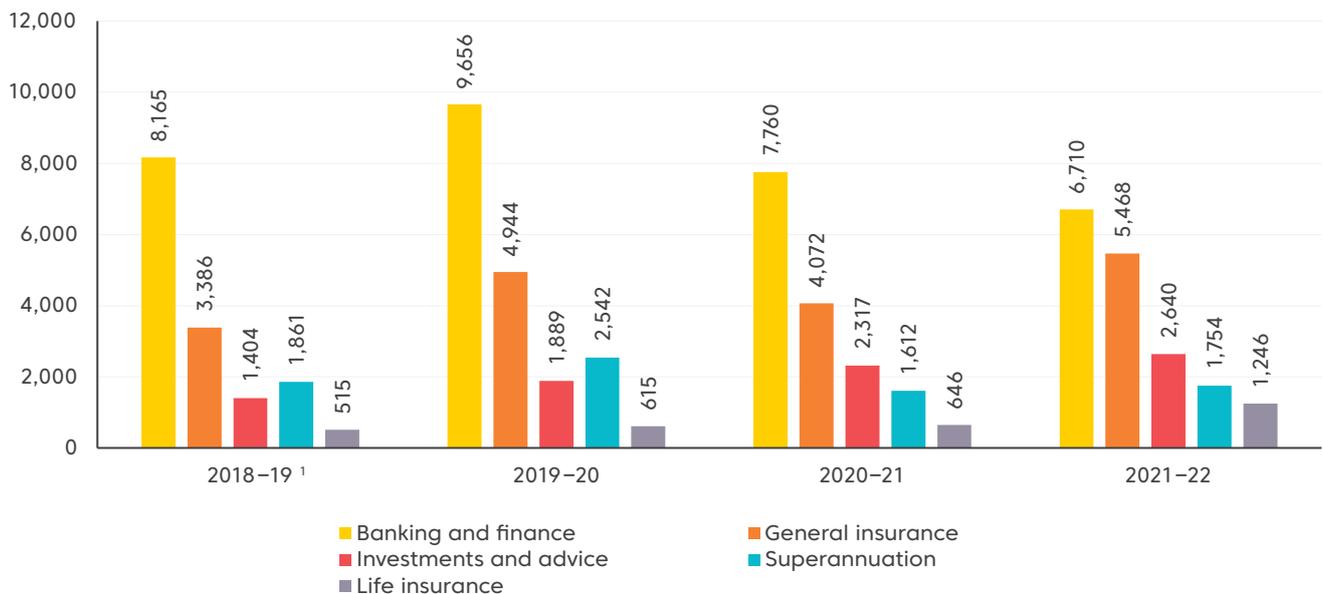
## Open cases by age

Age	2018–19 <sup>1</sup>	2019–20	2020–21	2021–22
0–30 days old	7,181	7,619	5,277	6,139
31–60 days old	3,312	3,982	3,110	3,501
61–180 days old	4,102	4,568	4,530	4,099
181–365 days old	776	1,926	2,014	2,027
More than 365 days old	0	1,618	1,492	2,060 <sup>2</sup>

## Open cases by stage of the process they are at

Stage	2018–19 <sup>1</sup>	2019–20	2020–21	2021–22
At Registration	5,338	8,968	5,904	7,567
At Case Management	6,943	6,558	6,171	6,812
At Rules Review	1,168	632	646	712
Preliminary Assessment	1,348	2,147	1,911	1,449
Decision	574	1,408	1,791	1,286

## Open cases by product type<sup>3</sup>



<sup>1</sup> AFCA commenced on 1 November 2018. The 2018–19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18–19 and 19–20 have been calculated pro rata using monthly averages.

<sup>2</sup> This number has increased due to the number of cases that have been paused due to insolvency or litigation through the courts.

<sup>3</sup> Additional complaints have products yet to be determined or belong to other categories. Complaints may also belong to more than one product type.

# Closed cases

AFCA resolved a total of 71,152 complaints between 1 July 2021 and 30 June 2022.

As in the previous year, 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.

It was pleasing to see that the introduction of RG271 in October 2021, which reduced internal dispute resolution timeframes generally, did not have a significant impact on the ability of financial firms to resolve matters early.

Complaints that were unable to be resolved at Registration and Referral were progressed to Case Management (25%) or Rules (10%) where they were resolved.

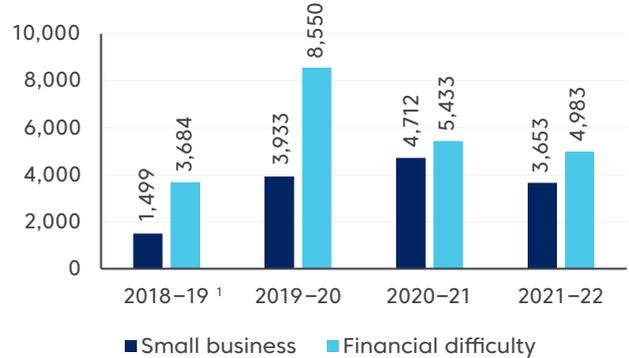
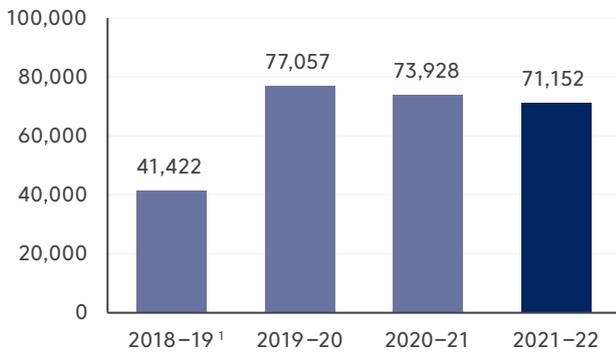
The remaining complaints were resolved through Preliminary Assessment (6%) and decision (7%).

On average, it took 72 days to resolve a complaint, a significant decrease from the previous year, where complaints took an average of 76 days to resolve.

Thirty-two per cent of complaints were resolved within 30 days of AFCA receiving them. With almost the same amount again (30%) being resolved between 31 and 60 days.

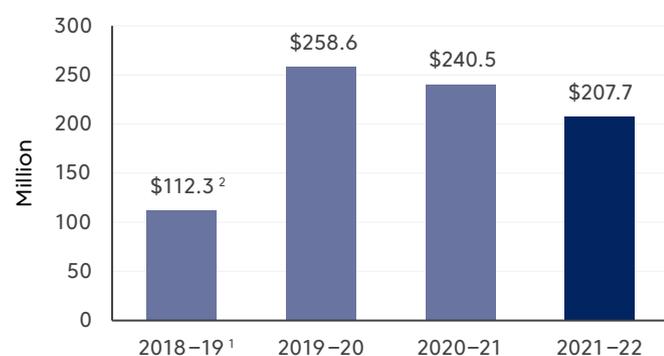
More complex cases that took 61 to 180 days to resolve made up 29% of closed complaints. The remaining 9% of closed complaints took more than 180 days to resolve.

## Complaints closed

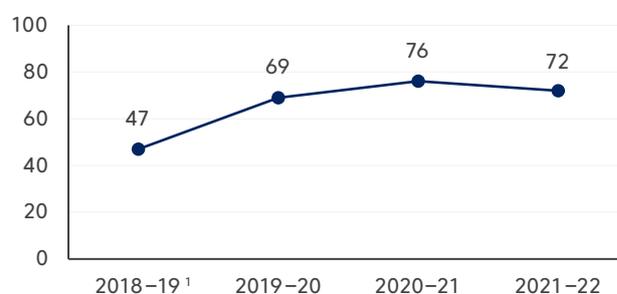


<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

### Compensation awarded or obtained through AFCA in dollars



### Average time to close a complaint in days



### Complaints resolved before determination

	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Total	38,252	72,145	68,911	66,303
Resolved by agreement or in favour of complainant <sup>3</sup>	71%	73%	75%	73%
Resolved in favour of financial firm <sup>3</sup>	3%	3%	3%	3%
Outside Rules/Terms of Reference	15%	12%	10%	12%
Discontinued/withdrawn	10%	12%	12%	11%
By assessment	1%	1%	1%	1%

### Determinations

	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Total	3,170	4,912	5,017	4,849
Found in favour of complainant	26%	30%	23%	24%
Found in favour of financial firm	74%	70%	77%	76%

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

<sup>2</sup> Only includes AFCA and FOS complaints.

<sup>3</sup> This includes complaints resolved through Conciliation, Negotiation and Preliminary Assessment.

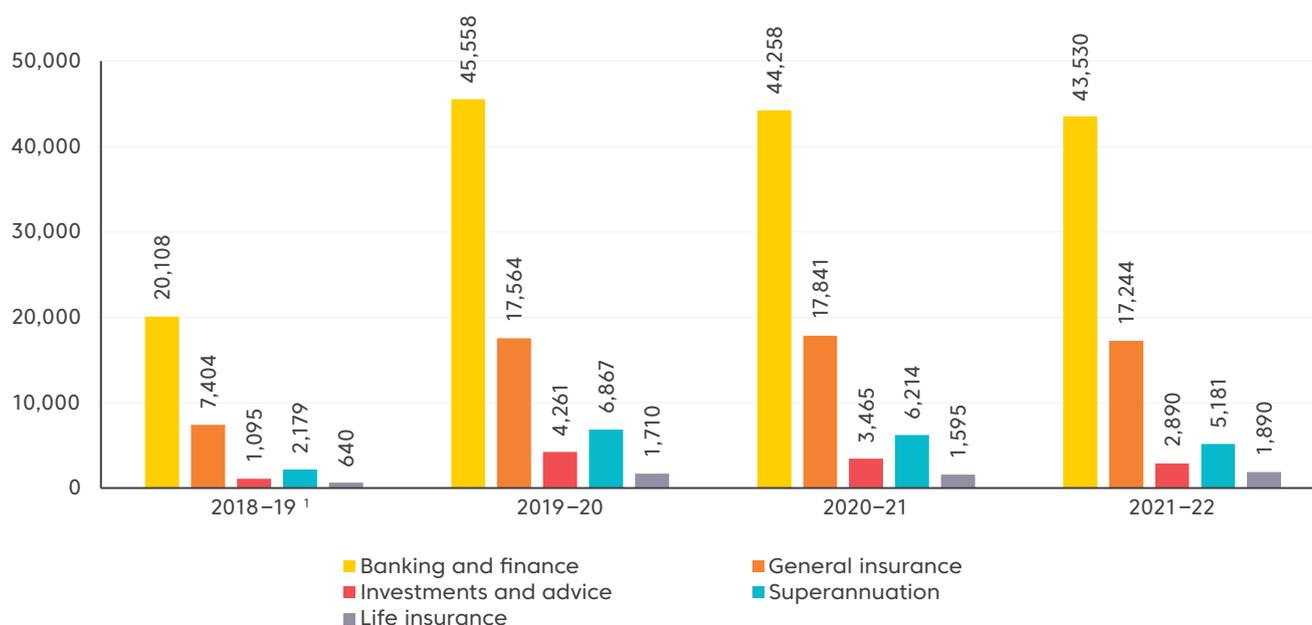
### Average time taken to close complaints

Age	2018–19 <sup>1</sup>	2019–20	2020–21	2021–22
0–30 days old	15,577	21,510	19,874	22,747
31–60 days old	15,205	24,189	21,511	21,462
61–180 days old	7,200	24,658	24,821	20,607
181–365 days old	1,342	5,590	5,352	4,436
More than 365 days old	N/A	734	2,370	1,900

### Stage at which complaints closed

Age	2018–19 <sup>1</sup>	2019–20	2020–21	2021–22
At Registration	17,980	36,564	37,049	36,568
At Case Management	11,884	21,169	19,962	17,896
At Rules Review	0	7,997	5,945	6,904
Preliminary Assessment	1,404	5,916	5,457	4,510
Decision	587	5,035	5,515	5,274

### Complaints closed by product type



<sup>1</sup> AFCA commenced on 1 November 2018. The 2018–19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18–19 and 19–20 have been calculated pro rata using monthly averages.



# Banking and finance complaints

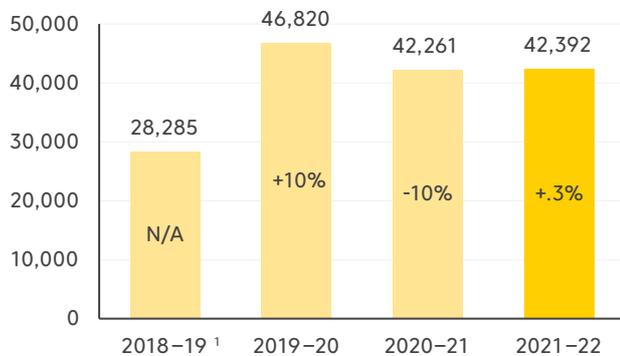
Between 1 July 2021 and 30 June 2022

Banking and finance complaint data includes financial difficulty complaints. For specific information on financial difficulty complaints, please see page 53.

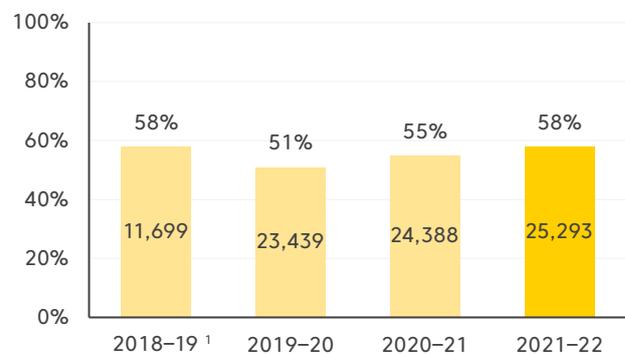
**42,392** complaints received

**58%** resolved at Registration and Referral stage

## Banking and finance complaints received



## Percentage of banking and finance complaints resolved at Registration and Referral stage



## Top five banking and finance complaints received by product

Product	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Credit cards	7,112	11,628	9,903	9,153
Personal transaction accounts	1,819	3,815	5,758	7,416
Home loans	4,085	7,608	6,400	6,439
Personal loans	3,724	5,722	5,343	5,679
Electronic banking	520	932	1,668	2,233

## Top five banking and finance complaints received by issue

Issue	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Unauthorised transactions	2,839	4,915	4,878	6,174
Service quality	1,369	3,193	4,373	5,677
Default listing	N/A <sup>2</sup>	N/A <sup>2</sup>	3,750	3,410
Financial firms' failure to respond to request for assistance	1,740	3,123	2,735	2,753
Incorrect fees costs	1,521	2,686	2,480	2,488

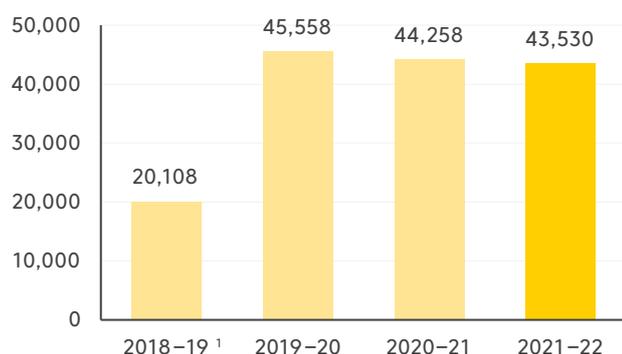
<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

<sup>2</sup> A distinct issue category for default listing didn't exist before 2020-21.

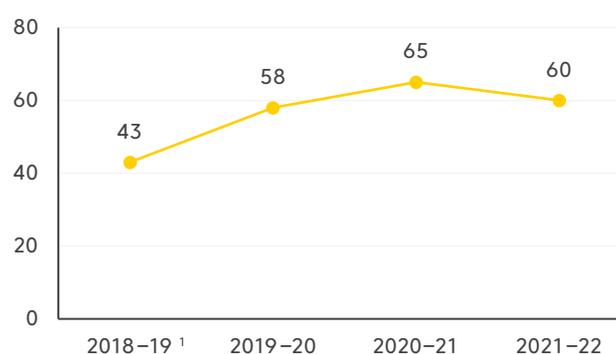
**43,530** complaints closed

Average time to close a complaint  
**60 days**

### Banking and finance complaints closed



### Average time to close a banking and finance complaint in days



### Stage at which banking and finance complaints closed

Stage	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
At Registration	11,699	23,439	24,388	25,293
At Case Management	4,548	12,891	11,779	10,622
At Rules Review	3,112	4,787	3,707	4,146
Preliminary Assessment	574	2,503	2,341	1,751
Decision	175	1,938	2,043	1,718

### Average time taken to close banking and finance complaints

Time	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Closed in 0-30 days	7,965	14,837	14,018	16,759
Closed in 31-60 days	7,012	15,347	13,678	13,398
Closed in 61-180 days	5,040	12,943	12,848	10,925
Closed in 181-365 days	91	2,080	2,037	1,634
Closed in in more than 365 days	0	351	1,677	814

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

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
- a financial firm's response to reported scam activity
- scams and whether the financial firm made an error when transferring funds
- privacy and confidentiality breaches
- inadequate service, including unreasonable delays or failure to assist a vulnerable customer.

**“You conducted the investigation without bias, allowing fair timeframes and opportunity to present information.”**

*- Feedback from a consumer*

## Key insights:

- AFCA, fortunately, has not seen the increase in hardship and overall complaints that might have been anticipated as a result of the COVID-19 pandemic and other environmental pressures.
- We have seen an increase in resolutions between financial firms and complainants at the Registration and Referral stage of our process.
- With changing economic conditions such as rising interest rates and cost of living. We expect further challenges for consumers and hope to see continued success in financial firms managing escalations and complaints before they require AFCA review.

AFCA received 42,392 banking and finance complaints in 2021–22, similar to the number of complaints we received last year. This was not as many as anticipated, given challenging conditions for consumers such as the COVID-19 pandemic and natural disasters that might have contributed to a higher rate of hardship and other complaints. It is likely that the stable, or even declining numbers of hardship complaints, is due to the proactive measures put in place by financial firms to address these challenges.

During the year, 43,530 banking and finance complaints were closed. Of the complaints closed, 25,293 complaints were closed at Registration and Referral, 10,622 were closed at Case Management, with 1,718 progressing through to the final Decision stage.

These numbers show that we continue to see a high proportion of banking and finance complaints being closed at the Registration and Referral stage, which means our members are finding ways to resolve these complaints themselves. The current rate (58%) is up on last year (55%).

This is a high rate compared to other product types and more impressive given changes to RG271, which came into effect on 5 October 2021 and set out new timelines and requirements for internal dispute resolution processes.

The average time taken to close banking and finance complaints was 60 days, with 38% closed between 0 to 30 days. This is a reduction from an average of 65 days in the previous financial year. The banking and finance decision team significantly reduced its queue and number of aged cases during the financial year.

Most complaints received were about credit cards (9,153), followed by personal transaction accounts (7,416) and home loans (6,439). Credit continues to attract the greatest proportion of complaints submitted to AFCA by product type, with banks being the most complained about organisation type.

Overall, the most common issues complained about were unauthorised transactions (6,174), service quality (5,677) and default listing (3,410). Further information is provided on the increasing level of scam complaints on page 58.

In terms of AFCA's priorities next year, we intend to issue an updated Responsible Lending Approach for broad industry, consumer and stakeholder consultation. Development and consultation will be managed through our Independent Review Response Program.

Work on other areas relevant to the banking and finance sector, such as development of our Scams Approach, is outlined in the Scams section on page 58.

## Case study

### Background

This complaint related to a loan the financial firm (the lender) provided to the complainant through a broker to purchase an investment property.

At the time, the lender was unlicensed and failed to make any enquiries into the affordability of the loan. The directors of the lender and the broker were each aware that the other had an interest in the transaction.

### Findings and outcome

AFCA found that the loan was unsuitable for the following reasons:

- the lender could have discovered through reasonable enquiries that the required repayments under the loan were unaffordable for the complainant and he was likely to be unable to repay it within the 12-month term
- the consequences of the complainant defaulting on his repayment obligations were likely to be severe, including the sale of the security property and the possibility of a residual debt
- the lender had knowledge of the significant conflicting financial incentives in place for the broker, and failed to put in place effective systems and processes to ensure information provided to them by the broker was accurate
- under the circumstances, it was unreasonable for the lender to presume the broker was providing independent advice to the complainant
- the lender dealt exclusively with the broker and not the complainant, depriving him of the opportunity to negotiate the terms of the loan contract

- the lender did not meet its disclosure obligations under the *National Consumer Credit Protection Act 2009* (Cth) (NCCP Act), so the complainant was not informed of the terms of the credit contract or the legal and practical effect of it
- the lender engaged in unlawful credit activity by providing consumer credit while unlicensed, potentially depriving the complainant of protections under the NCCP Act and the National Credit Code.

In accordance with AFCA's usual approach, AFCA determined the lender was not entitled to interest, fees and charges and the complainant needed to account for any benefit they had received from the credit.

AFCA also found the lender, not the complainant, should bear the investment risk.

Generally, AFCA would not require the lender to waive any shortfall after an investment property is sold, even where irresponsible lending was established. The basis for this approach is that, generally, we consider the investment risk lies with the borrower in an investment property purchase. However, whether this is appropriate and fair in the circumstances is assessed on a case-by-case basis.

In this case, because the lender had entered into an unjust transaction and was conducting unlawful credit activity, in addition to breaching responsible lending obligations, it was fair for the lender to bear the responsibility of the investment risk.

AFCA reduced the debt from approximately \$750,000 to \$320,000. The complainant was provided with a choice of time to sell the property, or to refinance.

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



## Case study

### Background

The bank provided the complainants with a loan in April 2010. The loan refinanced the complainants' existing home loan and provided them an additional \$208,000 for investment purposes.

The complainants said the loan was unaffordable for them. The AFCA recommendation agreed the loan was unaffordable. The bank accepted the recommendation, but the complainants rejected the recommendation because the outcome would have required them to sell their family home to repay the adjusted loan within six months.

In the ombudsman's view, it was unfair to require the complainants to repay the adjusted debt within six months for the following reasons:

- one complainant had recently suffered a stroke and was unable to work, and the wife of the complainant had become his full-time carer
- they were unlikely to be able to refinance the adjusted debt, so they would need to sell their home to repay the loan
- they already owned their home before they obtained the loan from the bank.

In the interests of finding a resolution that met the needs of the parties, the ombudsman engaged with them before issuing the determination to explore possible outcomes that would enable the complainants to remain in their home.

### Findings and outcome

The outcome of these discussions was recorded in the determination and assisted the complainants to stay in their home for a period.

The determination required that the lender to split the loan into two accounts:

1. the remaining balance of their pre-existing home loan, which was to be repaid by principal and interest repayments; and
2. the additional funds, which were subject to interest-only repayments. The bank was entitled to apply a 2% interest rate to that portion to offset the prejudice to the bank from waiting until the complainants no longer resided in the property.

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

# Buy now pay later

The provision of buy now pay later payment options is generally not considered to be 'credit' under existing legislation. This means the provision of these services, and membership of AFCA in relation to them, is voluntary. AFCA currently has 10 identified financial firm members that belong to this category.

AFCA received 1,064 buy now pay later complaints in the last 12 months, which is up 39% on the previous year. The average time to resolve a buy now pay later complaint is 42 days.

The most complained about issues are service quality, credit enquiry, unauthorised transactions, incorrect costs or fees, and interpretation of product terms and conditions. Examples within some of these categories include:

- service quality, such as timeliness in responding to requests, manner of dealing with customers and effecting instructions as requested
- credit enquiry, which relates specifically to enquiries incorrectly listed on a credit file
- unauthorised transactions such as scams or fraud.

Buy now pay later complaint numbers are relatively low and only a small number make it to the Decision stage, with the financial firms resolving the majority of these complaints by agreement earlier in AFCA's process.

**“Your dispute resolution specialist was so easy to speak through the complaint with and understood both sides of the complaint, she also wants to ensure the complainant is heard and understands the trustees obligations.”**

*- Feedback from a member*

# Financial difficulty complaints

## Demographics of people in financial difficulty

Between 1 July 2021 and 30 June 2022

**7%** of complainants were represented by a friend or family member

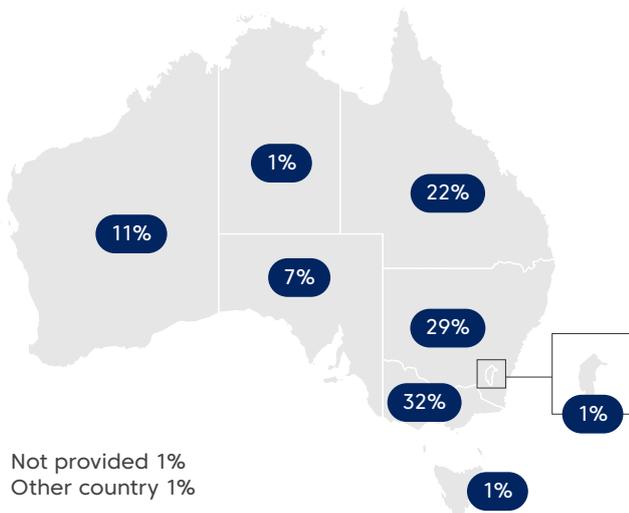
**4%** were represented by a financial counsellor

**84%** of complainants lodged online

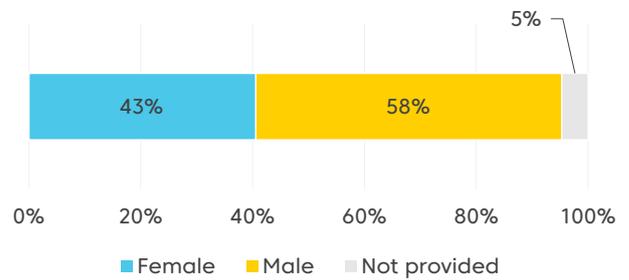
**1%** of complainants requested interpreting language services

**4%** of complainants identified as Aboriginal or Torres Strait Islander peoples

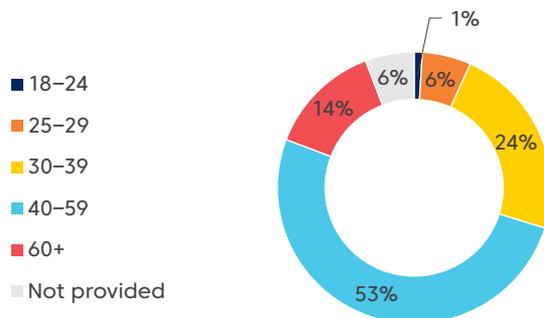
### Complaints received by state and territory



### Complaints received by gender of complaint <sup>1</sup>



### Complaints received by age



<sup>1</sup> One complaint may have multiple complainants, so percentages won't necessarily equal 100%.

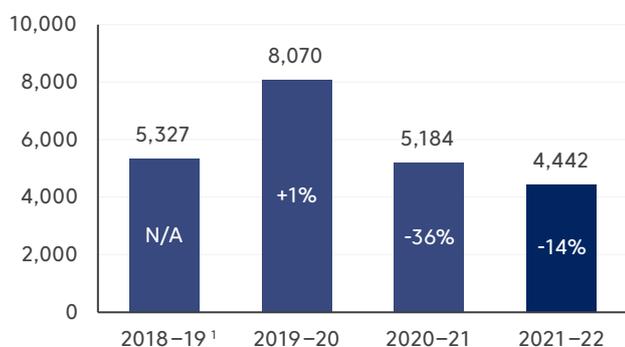
# Financial difficulty complaints

Between 1 July 2021 and 30 June 2022

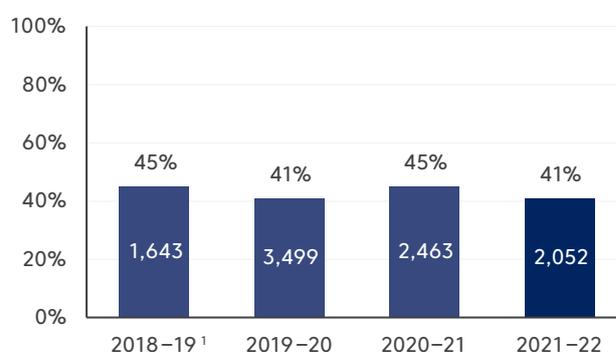
**4,442** complaints received

**41%** resolved at  
Registration and Referral stage

## Financial difficulty complaints received



## Percentage of financial difficulty complaints resolved at Registration and Referral stage



## Top five financial difficulty complaints received by product

Product	Total
Personal loans	1,322
Home loans	1,154
Credit cards	1,009
Business loans	412
Line of credit/overdraft	129

## Top five financial difficulty complaints received by issue

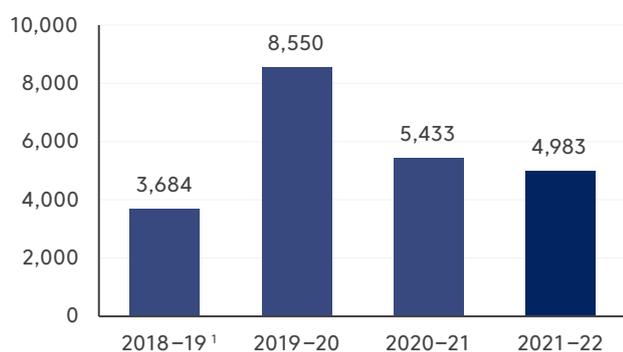
Issue	Total
Financial firm failure to respond to request for assistance	2,759
Decline of financial difficulty request	1,080
Request to suspend enforcement proceedings	409
Default notice	164
Default judgment obtained	126

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

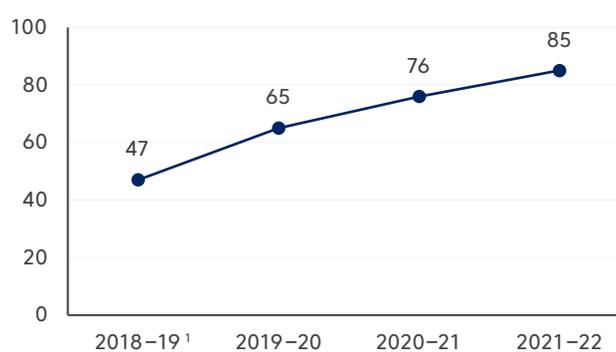
**4,983** complaints closed

Average time to close a complaint  
**85 days**

### Financial difficulty complaints closed



### Average time to close a financial difficulty complaint in days



### Stage at which financial difficulty complaints closed

Stage	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
At Registration	1,643	3,499	2,463	2,052
At Case Management	1,418	3,677	1,997	1,891
At Rules Review	569	682	364	431
Preliminary Assessment	51	408	286	294
Decision	3	284	323	315

### Average time taken to close financial difficulty complaints

Time	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Closed in 0-30 days	1,511	2,309	1,388	1,174
Closed in 31-60 days	1,649	3,005	1,751	1,454
Closed in 61-180 days	522	2,647	1,739	1,799
Closed in 181-365 days	2	483	390	379
Closed in in more than 365 days	0	106	165	177

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

## 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 we can consider in some situations only).

## Key insights:

- This year, AFCA received 4,442 financial difficulty complaints, a decrease of 14% compared to the 2020–21 financial year, where AFCA received 5,184 financial difficulty complaints.
- The decline in financial difficulty complaints is consistent with the decline we saw in the previous year. This shows the significant efforts of financial firms working with their customers to be responsive to COVID-19 impacts and those affected by natural disasters. Many have redesigned their systems to be more accessible.

In 2021–22, the most common types of financial difficulty complaints related to personal loans (1,322), home loans (1,154) and credit cards (1,009).

As in 2020–21, the predominant issue was financial firm failure to respond to requests for assistance, with 2,759 complaints. The second most common issue was decline of financial difficulty requests with 1,080 complaints.

AFCA closed 4,983 financial difficulty complaints in 2021–22. Of these complaints, 53% (2,628) were resolved within 60 days. Another 41% of financial difficulty complaints were resolved at the Registration and Referral stage when AFCA refers the dispute back to the financial firm.

While complaints have declined further this year, we will be monitoring new complaints closely to assess any impact from recent interest rate rises and increases in the cost of living. We are hopeful that changes made to hardship processes during the COVID-19 pandemic will assist financial firms to respond quickly to requests for assistance from customers experiencing vulnerable circumstances in the coming year.



## Case study

### Background

The complainant had two home loans and a credit card account with the financial firm. The home loans were secured by a mortgage over an investment property. The complainant began experiencing financial difficulty in meeting their repayment obligations in 2013 for several reasons including health issues, changing employment and the COVID-19 pandemic. Since December 2020, the complainant was also receiving treatment for an illness that, at times, has affected their ability to work.

The complainant has raised concerns that the financial firm has:

- not clearly communicated with them regarding their hardship requests and has failed to correct errors
- caused them considerable confusion and stress, has had an adverse effect on their health and caused delays in their treatment
- issued a default notice without prior notice.

### Findings and outcome

AFCA found the financial firm had mostly met its financial hardship obligations to the complainant because it:

- gave genuine consideration to the complainant's requests for financial hardship assistance since May 2013, on both the loan accounts and credit card
- requested additional information about the complainant's circumstances, including a statement of financial position
- provided several periods of appropriate hardship assistance to help the complainant overcome their financial difficulty.

However, AFCA found that, on some occasions, the financial firm did not meet its financial hardship obligations because it did not provide the complainant with an outcome of their request for assistance made on 30 December, despite it being required to do so within 21 days.

Even though the complainant failed to provide a Statement of Financial Position to enable the financial firm to assess their request for assistance, the financial firm did not issue a decline notice prior to sending the default notice, which it was required to do. The lack of communication by the financial firm over several months led to the complainant feeling confused about what their obligations were in respect to the home loans, which caused them extreme stress.

Consequently, AFCA determined that the financial firm must refund any fees it charged to the home loans regarding the issuance of the default notice, and pay the complainant \$4,000 in compensation for non-financial loss due to the undue stress and confusion its conduct caused.

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

# Scams

AFCA is concerned about the ever-increasing number and nature of scam complaints.

In 2021–22, AFCA received 4,131 scam complaints, an average of around 340 a month, which is up 28% on the previous year.

Since 1 July 2021, we have closed 4,057 scam complaints. The outcome of those scam complaints has seen \$15,292,650 paid by financial firms.

It's not just the volume of complaints involving scams that is increasing, but also the sums involved. We are seeing scams resulting in losses over a million dollars and often beyond our jurisdictional limit.

The main scam types continue to be investment scams and remote access. We are seeing more scammers obtaining remote access to mobile devices and greater use of SMS.

We have seen increasing use of crypto platforms where the scammer directs the customer to open an account (often on a legitimate platform) and either gains access to the funds in the customer's wallet or directs the customer to pay a scammer. We also see scams where the scam is the investment on a crypto platform that is not legitimate.

AFCA can only consider complaints about the conduct of financial firms that are our members, and in accordance with our Rules. We are able to consider the conduct of the financial firm in facilitating the transactions between the consumer and the scammer. However, we do not consider the scammer's actions.

Often there is little chance of recovery of funds when considering complaints about facilitating scams. AFCA applies the law, any relevant codes and good industry practice in force at the time of the complaint. We also have regard to, but are not bound by, past decisions.

The new ePayments Code has issued and clarified what a mistaken payment is and an unauthorised transaction and we are in the process of preparing the AFCA Scams Approach.

Given the impact of scams, we are pleased to see the increased steps financial firms are taking to detect and prevent scams. We also think providing information on websites, through online banking and by public advertisements about different types of scams and what to avoid, is extremely helpful.

In an environment where scammers are becoming increasingly sophisticated, industry needs to work with regulators to combat scams and educate the community. Sharing information and data about how scams work is useful in the fight to combat scams. We consider the changes that came into effect on 1 July to be positive. These changes require mobile providers to identify, trace and block text message scams, share information about scam messages with other providers and report scams to the authorities.

We believe that financial firms should be required to match account names, as well as Bank State Branch (BSB) and account numbers, as we feel this additional check would significantly reduce certain types of scams and provide much greater consumer protection.

We understand a number of the cryptocurrency platforms are not regulated and do not need to be AFCA members. However, we support those who want to raise the reputation of the industry by becoming AFCA members and offering external dispute resolution to their customers.

The AFCA Scams Approach will cover mistaken internet payments and unauthorised transactions. We plan to have a draft available for public consultation by the end of 2022 and to release the approach in early 2023. We understand there may be legislative changes in this area; however, we feel it is important to record our current approach.

AFCA is proactively engaged with industry, consumer groups and the regulators so that we understand the types of scams consumers are exposed to and the activities by industry and regulators to reduce scam transactions.

AFCA has more information for consumers at [www.afca.org.au/scams](http://www.afca.org.au/scams).



## Case study

### Background

The complainant was purchasing a property. Ahead of settlement, she received an email from her lawyer giving her the law firm's trust account details, so the complainant could deposit the balance of the purchase price. The complainant attended a bank branch and completed a transfer form to transfer \$750,000 into the law firm's trust account. The complainant's instruction to the bank included the account name, BSB and account number. When the bank completed the transfer, it relied solely on the BSB and account number.

It has since become apparent that the lawyer's email had been compromised and the funds were transferred into a third-party fraudster's account, and not an account in the name of the law firm. The bank was able to recover \$250,000 from the fraudster's account.

### Findings and outcome

AFCA found the complainant's instructions to the bank included an account name, BSB and account number. However, because the bank's payment system relies only on BSB and account numbers, it was not possible for it to comply with all elements of the instruction. The bank could only disregard the account name when processing the transfer if it first gave the complainant a clear and proximate warning that it would rely only on the BSB and account number and disregard the account name.

The transfer form completed by the complainant when she attended the bank branch did not contain a clear and proximate warning. The bank, therefore, acted in breach of the complainant's instructions and paid away its own funds and was required to reimburse the \$500,000 not recovered from the fraudster's account.

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

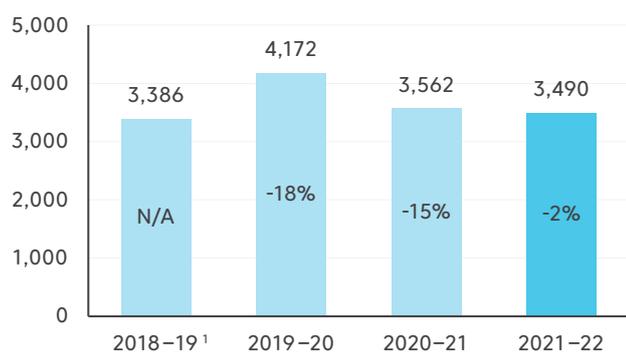
# Small business complaints

Between 1 July 2021 and 30 June 2022

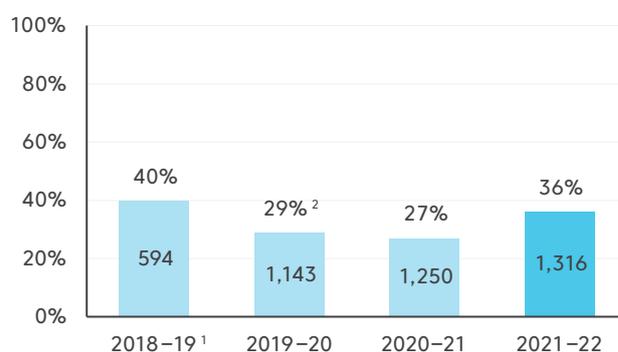
**3,490** complaints received

**36%** resolved at Registration and Referral stage

## Small business complaints received



## Percentage of small business complaints resolved at Registration and Referral stage



## Top five small business complaints received by product

Product	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Business loans	847	1,544	1,419	1,441
Business transaction accounts	313	507	641	800
Commercial property	146	221	230	276
Business credit card	128	207	192	201
Loss of profits/Business Interruption	24	69	170	200

## Top five small business complaints received by issue

Issue	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Service quality	93	170	300	389
Financial firm failure to respond to request for assistance	166	320	326	282
Interpretation of product terms and conditions	69	123	150	271
Denial of claim	69	111	133	204
Default listing	N/A	N/A	167	198

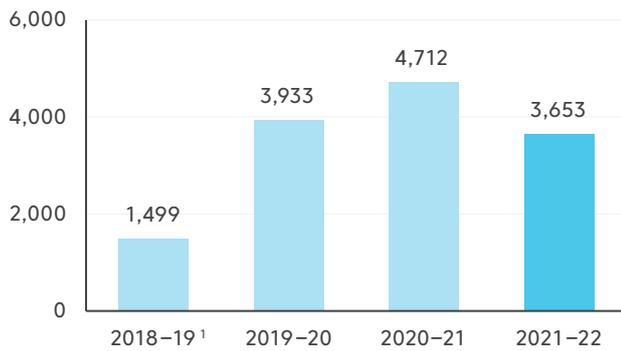
<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

<sup>2</sup> There was an error in the Annual Review 2019-20 and this figure was incorrectly reported as 28%.

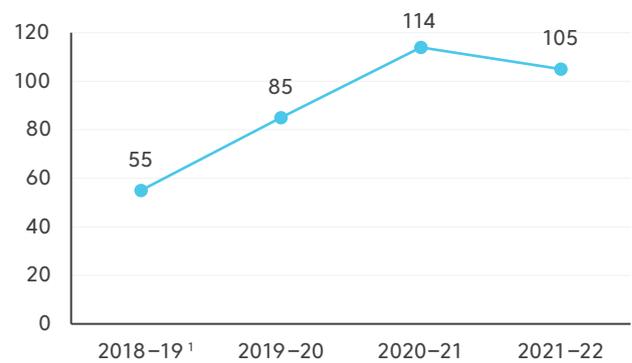
**3,653** complaints closed

Average time to close a complaint  
**105 days**

### Small business complaints closed



### Average time to close a small business complaint in days



### Stage at which small business complaints closed

Stage	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
At Registration	594	1,143	1,250	1,316
At Case Management	399	1,253	2,030	1,008
At Rules Review	388	752	568	629
Preliminary Assessment	79	376	342	261
Decision	39	409	522	439

### Average time taken to close small business complaints

Time	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Closed in 0-30 days	407	780	624	771
Closed in 31-60 days	530	1,079	903	942
Closed in 61-180 days	543	1,556	1,509	1,331
Closed in 181-365 days	19	449	488	392
Closed in in more than 365 days	0	69	1,188	217

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

## About AFCA's small business jurisdiction

Under the AFCA Rules, a small business is defined as an organisation with fewer than 100 employees at the time the act, or omission, of the financial firm being complained about occurred.

This can be a sole trader, 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.

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.

## Key insights:

- Over the past year we have seen a slight reduction in the number of complaints involving small businesses.
- We have also seen the complaint type shift from allegations of inappropriate lending to service complaints. These include the time taken to provide credit or review loan applications and the suitability of the product provided.
- Surprisingly, as government support has come to an end, we have not seen the increase in financial difficulty complaints anticipated.

From 1 July 2021 to 30 June 2022, we received 3,490 complaints from small businesses.

AFCA has two dedicated Case Management teams for small business complaints. There are also a number of dedicated ombudsmen who specialise in these claims.

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

The most complained about issue was service quality (389), followed by financial firm failure to respond to a request for assistance (282), and interpretation of product terms and conditions (271).

Of the complaints AFCA closed, 36% (1,316) were resolved at Registration and Referral, while 28% (1,008) of complaints were resolved at Case Management. Around one in 10 small business complaints (12%) reached the Decision stage.

The average time for a small business complaint to close was 105 days.

We have seen an 18% increase in Business Interruption complaints. The main issue is claim denial and disruption to business due to the COVID-19 pandemic. The increase is due to the Business Interruption Insurance Test cases. You can read more about the Business Interruption Test cases on page 71.

In an environment of rising interest rates and increased costs for small business, we have been pleased to see financial firms continuing to work with those small business customers that are likely to recover, to help them overcome financial difficulty. We hope to see this response continue.

We also support the work financial firms are doing to resolve disputes earlier. We consider this demonstrates the willingness of financial firms to work towards a solution in difficult economic times. We would like to see this continue and we particularly support the use of negotiation and conciliation conferences to resolve disputes.

Buy now pay later is extending into the small business space and we are concerned that we will see the same issue of over-commitment that has occurred in the consumer space.

We are currently preparing the AFCA Approach on appropriate lending, which we plan to consult publicly on at the end of this year, with a view to releasing it in 2023.

**“We need more people like you and AFCA to be there to help innocent, hard-working Australians who are being taken every day by scamming companies.”**

*- Feedback from a consumer*

## Case study

### Background

Company X runs a popular bakery in a country town. A bank refinanced its business loan of \$1 million and provided funding of \$500,000 for it to buy out a competitor

The director of Company X provided a director's guarantee for the loan secured over his investment shareholdings. He asked his wife, Mrs M, to become a guarantor. Mrs M's guarantee was secured by a mortgage over the principal place of residence.

Company X purchased the competitor. Unfortunately, due to COVID-19 lockdowns and a downturn in passing trade, the businesses struggled, and Company X wanted to sell the businesses as a going concern.

Company X lodged a complaint at AFCA saying:

- the bank should not have provided the business loan as it must have known enough about the competitor bakery to know it would struggle to survive
- the bank did not assist the company during the COVID-19 lockdown period.

Mrs M also lodged a complaint alleging the bank should not have sought a guarantee from her and she didn't understand the nature of her obligations.

### AFCA investigated the complaint by Company X

As a subscriber to the Banking Code of Practice, the bank was required to exercise the care and skill of a diligent and prudent banker in assessing the loan application, to ensure it had a reasonable basis to consider the loan could be repaid from resources available to the borrower.

The director provided a profit and loss statement from the vendor's accountant for the competitor bakery. The bank had once been the competitor's bank. The complainants were not able to provide any information to support the claim the bank should have known the competitor was not in good financial shape.

When AFCA reviewed all the available information, it found that the bank had reasonably relied on the financials provided with the loan application. There were no red flags to indicate that the competitor bakery was struggling financially or that the vendor's financials were fabricated. All the information supporting the loan application showed that the loan was affordable.

AFCA concluded that the bank assessed the proposal with the care and skill of a diligent and prudent banker.

During the COVID-19 period, the bank provided Company X with deferred payments for eight months and waived 50% of the accrued interest. The claim that the bank had not met its financial difficulty obligations could not be supported.

### AFCA reviewed how Mrs M's guarantee was obtained

A review of the events that led to the signing of Mrs M's guarantee showed that the bank had not met its obligations under the Banking Code of Practice. This included ensuring the guarantor obtained the documents independently of the borrower and had sufficient time to consider them.

Further, AFCA found that the bank had not ensured Mrs M was provided with an opportunity to protect her own interests by obtaining legal advice in circumstances where she placed trust and confidence in her husband for financial decisions. Mrs M has always trusted her husband in financial matters and signed when he asked.

### Findings and outcome

AFCA decided that the bank should not be able to rely on Mrs M's guarantee. The bank could rely on the director's guarantee if the sale of the businesses produced a shortfall.

A bank should ensure it meets its obligations to a potential guarantor, including the requirements under the Banking Code of Practice and under Australian law. A failure to do so may mean that the guarantee is unenforceable.

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





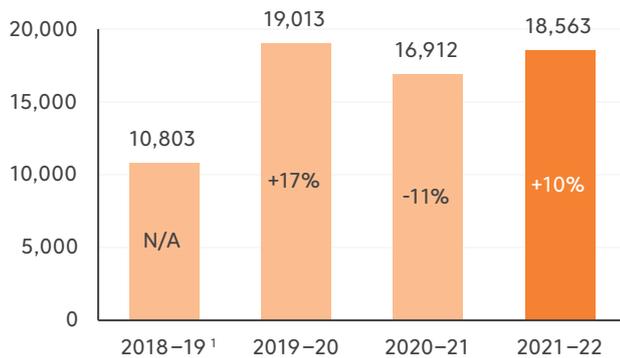
# General insurance complaints

Between 1 July 2021 and 30 June 2022

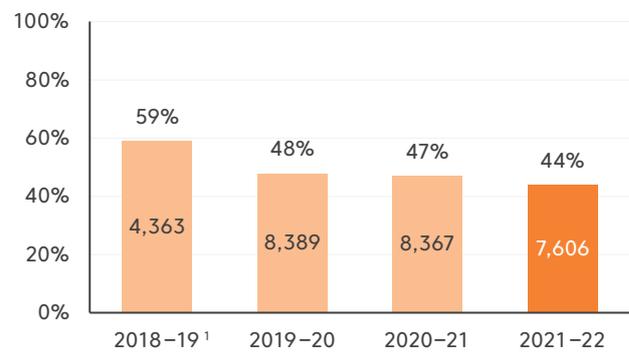
**18,563** complaints received

**44%** resolved at Registration and Referral stage

## General insurance complaints received



## Percentage of general insurance complaints resolved at Registration and Referral stage



## Top five general insurance complaints received by product

Product	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Home building	1,887	3,616	3,527	6,120
Motor vehicle-comprehensive	2,680	4,104	4,386	5,791
Home contents	478	946	1,079	1,289
Consumer credit insurance	96	723	506	951
Motor Vehicle-uninsured third party	798	1,189	934	891

## Top five general insurance complaints received by issue

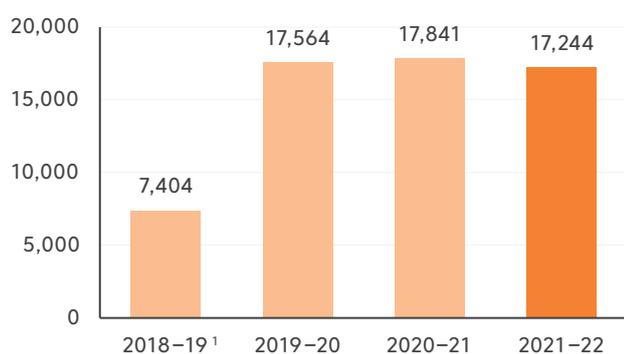
Issue	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Delay in claim handling	2,023	3,521	3,126	4,804
Claim amount	1,989	3,171	3,161	3,747
Denial of claim – exclusion/condition	1,667	3,032	3,146	3,111
Denial of claim	1,366	2,337	2,479	2,125
Service quality	666	1,353	1,164	1,503

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

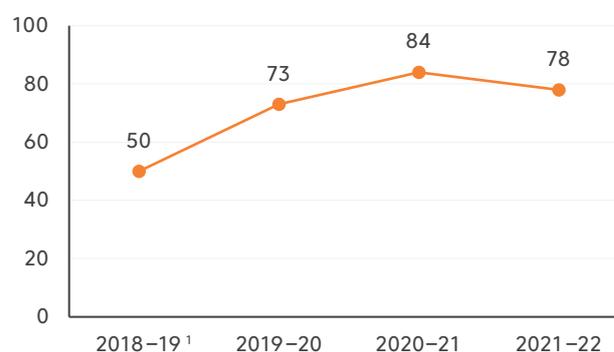
**17,244** complaints closed

Average time to close a complaint  
**78 days**

### General insurance complaints closed



### Average time to close a general insurance complaint in days



### Stage at which general insurance complaints closed

Stage	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
At Registration	4,363	8,389	8,367	7,606
At Case Management	1,381	3,745	4,330	3,984
At Rules Review	771	1,440	1,350	1,700
Preliminary Assessment	570	2,046	1,669	1,707
Decision	319	1,944	2,125	2,247

### Average time taken to close general insurance complaints

Time	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Closed in 0-30 days	2,217	4,002	3,684	4,089
Closed in 31-60 days	3,045	6,162	5,324	5,529
Closed in 61-180 days	2,076	5,793	6,863	5,742
Closed in 181-365 days	66	1,525	1,786	1,556
Closed in more than 365 days	0	82	184	328

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

The general insurance products that AFCA can consider complaints about include:

- small business policies (including Business Interruption, but excluding professional indemnity or legal liability)
- consumer credit insurance
- home building
- home contents
- motor vehicle
- personal and domestic property (including pleasure crafts)
- residential strata title
- sickness and accident
- travel insurance

The types of issues and problems AFCA resolves include:

- decisions a financial firm has made, such as denial of an insurance claim
- delays or complaints about an insurer's service
- complaints about rebuilding and repairs to houses and motor vehicles
- incorrect application of, or misrepresentation about, insurance premiums
- misleading or incorrect information about an insurance product or service
- not following a complainant's instructions
- privacy and confidentiality breaches.

## Key insights:

- This year saw significant increases in general insurance complaints received by AFCA.
- There has been a 54% increase in complaints about delayed in claims handling, largely due to the effects of several significant natural disasters, most notably the severe weather and flooding in southern Queensland and northern New South Wales in February 2022.

During the 2021–22 financial year, AFCA received 18,563 general insurance complaints. This made up 26% of the total complaints received by AFCA.

AFCA closed 17,244 general insurance complaints, with:

- 7,606 complaints closed at Registration and Referral
- 3,984 complaints closed at Case Management
- 2,247 progressing through to the final Decision stage.

The average time taken to close these complaints was 78 days, with 56% of complaints being closed within 60 days.

Most complaints received were about delays in claim handling (4,804), claim amount (3,747) and denial of claim – exclusion/condition (3,111).

Delays in claims handling has been in the top three issues for the last several years, with an increase of 54% this year.

Several factors are influencing this, but natural disasters are having the largest effect. Natural disasters<sup>1</sup> generated 1,586 complaints, more than double the 653 complaints in the previous year.

<sup>1</sup> Excluding COVID-19 related complaints.

As well as the effects of significant and widespread natural disasters, delays in claim handling have been affected by a range of environmental, economic and sector specific factors including:

- supply chain issues leading to a shortage of trades and materials due to COVID and the war in Ukraine
- insurers' resourcing issues due to competition for labour and the need for more resources to handle claim volumes
- poor communication by insurers with consumers
- poor quality of works
- restructuring of insurers' businesses
- complainant vulnerabilities
- mismatch between complainants' expectations of policy coverage and policy wording.

Insurers' responses to natural disasters also meant that home building insurance was in the top five most commonly complained about products this year, with a very large jump of 74% in complaints. We also saw a 30% rise in complaints about motor vehicle insurance.

We acknowledge that insurers are facing challenges as they try to manage claims and get people back on their feet following natural disasters. We know there are significant issues with the supply of building materials, parts and labour because of national and global events outside their control.

However, we are concerned about the rise in complaints being escalated to AFCA. We are particularly concerned when an insurance claim has been lodged with an insurer and the consumer comes to AFCA because there has been no contact from the insurer. We want to better understand the causes of these complaints and we are working with insurers to help them resolve disputes more quickly and, ultimately, to prevent them. We encourage firms to explore ways to lift the resolution rate at Registration and Referral above 44%.

We promote early resolution at this stage, if the outcome is fair for both parties, because it's efficient and cost-effective for firms and it helps take away anxiety and uncertainty for complainants.

AFCA has also issued a fact sheet about home insurance claim delays and COVID-19. In addition there's an Approach document about motor vehicle insurance claim delays to help explain how we approach complaints about delays, and what we expect firms to do.

We urge insurers to be proactive and innovative in resolving complaints early, including by communicating regularly and effectively with their customers about delays in claim finalisation.

By prioritising resources, support and training for claims and complaints teams, insurers can help their customers and communities get back on their feet. An effective focus on vulnerable customers by directly addressing their needs will both help people resolve their claims and potentially reduce the number and duration of complaints.

In 2022–23 AFCA will expect insurers to increase their early resolution outcomes and change practices to reduce complaints about service and delays.

## Case study

### Background

The complainant lodged a claim with their insurer for storm damage. The insurer partially accepted the claim. However, it denied aspects of it as they were not caused by the storm.

The parties also disputed the scope of works required for mould remediation and the additional building repairs. The complainant also sought compensation for her claims experience.

### Outcome and findings

The panel that made the decision found the insurer's expert's initial assessment of damage was not thorough and likely caused some delays.

The insurer may also have contributed to the loss by not conducting any remediation or drying. This no doubt caused stress and inconvenience to the complainant.

The panel accepted the insurer had taken further steps to engage other experts and had overall assessed the claim correctly and fairly.

The insurer had already offered to waive the \$1,000 excess applicable to the claim under the policy. The panel decided that, in addition to waiving the excess, and in view of the initial stress and inconvenience caused, the insurer should pay the complainant \$1,500 compensation for non-financial loss.

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

## Case study

### Background

The complainant lodged a claim for storm damage. The insurer accepted the claim. However, the parties disputed the extent of works and the insurer's decision to cash settle the claim. The complainant also said the insurer handled the claim in an unprofessional manner.

There was no record of extended periods of inaction by the insurer. Available information showed the insurer's claims assessment company made numerous attempts to contact the complainant and arrange re-assessment. It also showed different trades/experts were appointed to determine the extent of loss/damage to building and contents from the claimed storm event.

### Outcome and findings

As the available information did not show the insurer handled the claim unreasonably, no compensation was awarded.

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

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.

Each panel that is formed to make a determination will normally have three members – a Chair (an AFCA Ombudsman), an industry representative and a consumer representative.

## Business Interruption Insurance Test cases

AFCA has received a large number of complaints about claims under Business Interruption policies for COVID-19-related business interruptions.

Due to the important legal issues raised by these claims AFCA agreed to refer a number of complaints to the courts as test cases. The judgments in the test cases will inform how AFCA deals with the legal issues in these complaints.

Under the AFCA Rules, a financial firm must seek AFCA's consent to bring a test case about a matter that would otherwise be handled by AFCA as a complaint.

AFCA cannot initiate its own test case and, once it provides approval to the financial firm, it is not involved in the filing or running of a test case or any appeals. AFCA does not provide any financial, legal or other support.

One of the factors considered 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.

In addition, the financial firm must meet AFCA requirements, such as agreeing to pay the complainants' legal fees incurred in the test case.

### Test case 1

A test case<sup>1</sup> considering the application of a common insurance policy exclusion relating to the repealed *Quarantine Act 1908* (Cth) was heard by the NSW Court of Appeal on 2 October 2020.

The main purpose of the test case was to seek a decision from the court on whether, in policies issued to small businesses containing Business Interruption cover, references to a quarantinable disease under the *Quarantine Act 1908* (Cth) should be construed as a reference to a listed human disease under the *Biosecurity Act 2015* (Cth).

On 18 November 2020, the NSW Supreme Court of Appeal ruled that references in policies to the Quarantine Act did not exclude the two claims in the test case.

The Board of the Insurance Council of Australia (ICA) applied for special leave from the High Court of Australia to appeal the NSW Court of Appeal decision.

On 25 June 2021, the High Court denied this application for special leave to appeal. You can read the Insurance Council of Australia's statement here: [insurancecouncil.com.au/resource/statement-on-special-leave-application](https://www.insurancecouncil.com.au/resource/statement-on-special-leave-application).

### Test case 2

A second test case<sup>2</sup> seeking judicial guidance on the application of particular policy wordings found in many Business Interruption policies, in relation to the COVID-19 pandemic was launched in September 2021. The Full Court of the Federal Court of Australia delivered its judgment in this case on 21 February 2022.<sup>3</sup>

Applications for special leave to appeal to the High Court of Australia were filed by some of the parties about aspects of the judgment of the Full Court. The option to appeal the court's decision was included in the original test case arrangements.

AFCA was not a party to the test cases and will await the High Court's decision about whether it will grant special leave to appeal.

AFCA will remain in communication with policyholders and insurers about the status of their complaints.

In the meantime, any small business with a Business Interruption policy that is dissatisfied with an insurer's decision about COVID coverage can lodge a complaint with their insurer. If they do not agree with the outcome of that internal complaint process they can then lodge a complaint with AFCA at no cost.

<sup>1</sup> HDI Global Specialty SE v Wonkana No. 3 Pty Ltd [2020] NSWCA 296

<sup>2</sup> Swiss Re International SE v LCA Marrickville Pty Limited (Second COVID-19 insurance test cases) [2021] FCA 1206

<sup>3</sup> LCA Marrickville Pty Limited v Swiss Re International SE [2022] FCAFC 17

# 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 Federal Treasury and APRA, as well as industry representatives, such as the ICA, to ensure our approach to handling these disputes is appropriate.

In the last financial year, AFCA activated three significant event response plans to support those directly impacted.

These related to:

- Victorian earthquakes – September 2021
- South Australia, Victoria and Tasmania severe storms – October 2021
- South East Queensland and New South Wales severe weather and flooding – February 2022.

In total, AFCA received 5,202 complaints related to significant events in 2021–22 (including those related to significant events that had been declared in previous financial years). This is significantly down on the previous year's numbers, where we received 9,097 complaints about significant events, which can be attributed to the decrease in COVID-19 complaints.

However, the majority of 2021–22 significant event complaints (3,552) still related to COVID-19, which was declared a significant event in 2019–20.

## COVID-19

**3,552** complaints received.  
Down 57% from previous year

**3,939** complaints resolved

**1,142** complaints related to  
financial difficulty

### Top five issues in complaints

Issue	Total
Financial firms' failure to respond to request for assistance	721
Repayment history information	337
Decline of financial difficulty request	311
Service quality	282
Default listing	252

## Victorian earthquakes – September 2021

**382** complaints received

**167** complaints resolved

### Top five issues in complaints<sup>1</sup>

Issue	Total
Denial of claim – exclusion/condition	229
Delay in claims handling	81
Denial of claim	49
Claim amount	26
Service quality	11
Denial of claim – no proof of loss	11

## South East Queensland and New South Wales severe weather and flooding – February 2022

**456** complaints received

**198** complaints resolved

**12** complaints related to financial difficulty

### Top five issues in complaints

Issue	Total
Delay in claims handling	210
Denial of claim – exclusion/condition	107
Claim amount	83
Service quality	22
Denial of claim	19

## South Australia, Victoria and Tasmania severe storms – October 2021

**161** complaints received

**102** complaints resolved

### Top five issues in complaints

Issue	Total
Delay in claims handling	67
Claim amount	50
Denial of claim – exclusion/condition	34
Denial of claim	14
Service quality	12

<sup>1</sup> Two issues in equal fifth position.



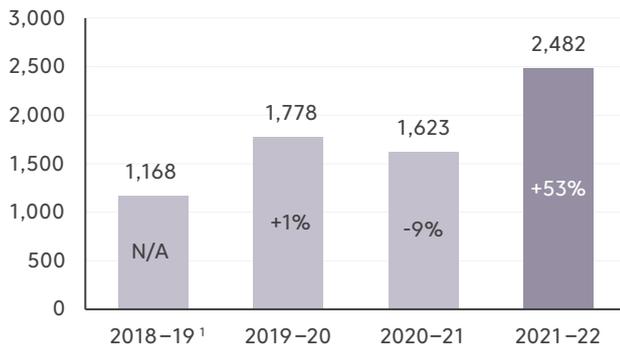
# Life insurance complaints

Between 1 July 2021 and 30 June 2022

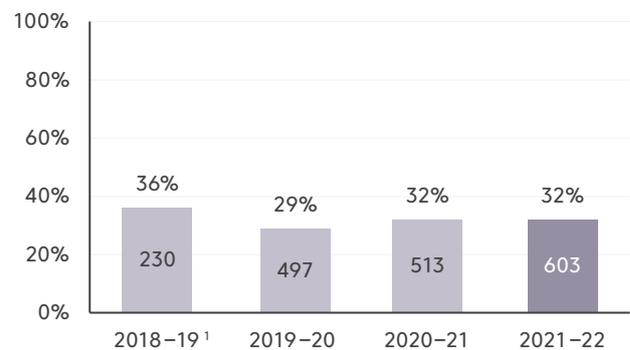
**2,482** complaints received

**32%** resolved at Registration and Referral stage

## Life insurance complaints received



## Percentage of life insurance complaints resolved at Registration and Referral stage



## Top five life insurance complaints received by product

Product	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Funeral plans	103	162	169	880
Income protection	399	530	575	650
Term life	183	331	290	359
Whole of life	73	59	115	231
Total and permanent disability	111	179	184	227

## Top five life insurance complaints received by issue

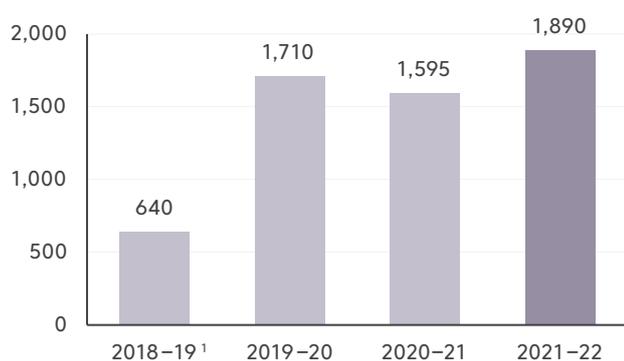
Issue	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Misleading product/service information	78	116	109	437
Incorrect premiums	137	181	213	286
Interpretation of product terms and conditions	25	28	45	234
Failure to act in client's best interests	36	92	66	229
Service quality	46	98	141	205

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

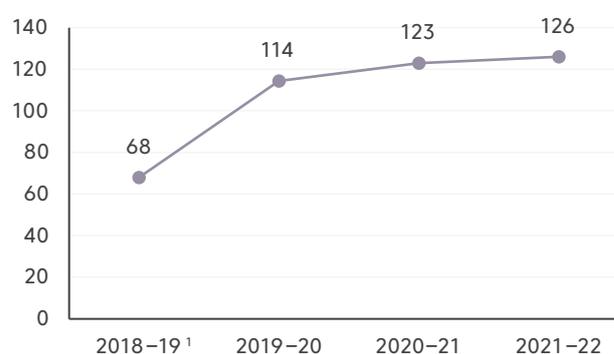
**1,890** complaints closed

Average time to close a complaint  
**126 days**

### Life insurance complaints closed



### Average time to close a life insurance complaint in days



### Stage at which life insurance complaints closed

Stage	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
At Registration	230	497	513	603
At Case Management	188	621	473	505
At Rules Review	136	151	104	186
Preliminary Assessment	65	232	225	213
Decision	21	209	280	383

### Average time taken to close life insurance complaints

Time	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Closed in 0-30 days	98	173	154	222
Closed in 31-60 days	218	405	361	444
Closed in 61-180 days	311	769	715	781
Closed in 181-365 days	13	328	289	347
Closed in more than 365 days	0	35	76	96

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

AFCA can consider complaints about life insurance products including the following:

- consumer credit insurance
- death cover
- income protection
- total and permanent disability policies
- trauma policies
- whole of life policies.

The types of issues and problems AFCA resolves include:

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

## Key insights:

- This was a 46% increase on the average number of complaints received in the 2020–21 and 2019–20 financial years.
- This large increase in complaints can be attributed to AFCA receiving over 800 complaints in relation to the Youpla Group (also known as the Aboriginal Community Benefit Fund or ACBF) companies and funeral insurance.

Between 1 July 2021 and 30 June 2022, AFCA received 2,482 life insurance complaints, making up 3% of the total complaints received. During 2021–22, there were 1,890 life insurance complaints closed.

Of the life insurance complaints closed, 603 were closed at Registration and Referral, 505 were closed at Case Management, with 383 progressing through to the final Decision stage. The average time taken to close these complaints was 126 days, reflecting the complex nature of life insurance complaints, which often require detailed medical reports and greater investigation by AFCA.

Insurers resolved around one third of the life insurance complaints at the Registration and Referral stage. As this has remained consistent from the previous year, we feel there remains an opportunity to improve this outcome. We welcome early resolution at this stage, if the outcome is fair for both parties because it's efficient and cost-effective for firms and it helps take away anxiety and uncertainty for complainants.

Early engagement and clear communication play an important role in complaints about service quality and premiums being resolved early.

AFCA has a limited jurisdiction to review complaints about premium increases. We will generally only be able to accept complaints about non-disclosure, misrepresentation, or incorrect application of a premium, or a breach of a legal obligation or duty by the insurer. AFCA can't consider a complaint about premiums merely because a complainant is dissatisfied the premium has increased or is unhappy about the amount of the increase.

AFCA has published a factsheet that includes information about the documents we will usually require when resolving a premium increase complaint.

There are many complaints to AFCA that involve a misunderstanding or complaint about level premium increases. Many customers don't understand that level premiums can increase. In many cases insurers provide little information at all about it. AFCA would like to see improvements in industry practice to address this issue.

The main driver of these complaints is significant increases in level premiums through premium re-rates by life insurers. These increases have been widespread over the last few years and are often unexpected by the policy holders. We consider that insurers can do more to educate financial advisers and customers about premium increases. Insurers using the word 'level' to describe premiums that are not stepped can lead consumers to expect that their premiums will not increase.

The most common issue for life insurance complaints during 2021–22 was misleading product/service information (437). This was followed by complaints about premiums (286), interpretation of product terms and conditions (234), failure to act in client's best interests (229) and service quality (205).

Income protection remained the second most complained about product behind funeral insurance. Incorrect premiums were the most complained about issue, followed by delays in claims handling. Complaints about service quality increased by about 45% from the previous year.

**“You were pragmatic and constructive and worked very collaboratively with our team.”**

*- Feedback from a member*

## Case study

### Background

The complainant had an income protection policy with the insurer, with a level premium structure. In January 2021, the insurer wrote to the complainant and informed her that her policy premium would increase by 72.5%. The complainant said that the policy wording was deliberately misleading and incorrectly advertised when it was sold as a 'level' premium policy.

### Findings and outcome

The ombudsman agreed that the word 'level' gave the impression that premiums would not have sharp increases. However, as it is standard terminology across the industry, and because premium rate changes are exceptional events, the ombudsman was not satisfied that the label was inherently misleading.

The ombudsman found that two sections of the policy that disclosed how premiums could change were potentially contradictory, but the complainant did not say she relied on those words. Therefore, the complainant could not establish that she was misled.

AFCA found that the insurer was entitled to increase premiums and did so lawfully and in accordance with the policy terms. AFCA was not permitted to intervene to change the premium rates set by the insurer.

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

## Case study

### Background

The complainant was diagnosed with breast cancer. She made a claim under her trauma policy. The insurer rejected the claim saying that the policy excluded her type of cancer unless it resulted in surgery to remove the entire breast. The complainant referred to the findings of the Financial Services Royal Commission. She said that the insurer was relying on an outdated medical definition because her type of cancer was not usually treated in that way anymore.

### Findings and outcome

AFCA found that the insurer's medical definition was outdated. Good industry practice requires insurers not to rely on outdated medical definitions. The insurer was required to pay the claim, with interest.

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

## Misleading and deceptive conduct in the sale of funeral insurance

AFCA has received 1,292<sup>1</sup> complaints about four Aboriginal Community Benefit Fund (ACBF) companies, also known as the Youpla group, since AFCA began operating in 2018. First Nations families put money into ACBF funds to help avoid a financial burden being placed on other family members at times of Sorry Business. These ACBF companies were placed into liquidation in 2022.

Before the firms were placed into liquidation, AFCA had issued 178 determinations against the companies, all in favour of the complainants, due to misleading or deceptive conduct in the sale of funeral expenses cover.

The AFCA decisions awarded ACBF customers more than \$1.4 million in compensation, although AFCA understands 61 determinations remain unpaid – which is close to \$500,000 in compensation outstanding to policyholders.

Because the firms have been placed into liquidation, AFCA has had to pause work on complaints against ACBF. However, it is supporting affected consumers to continue to register their complaints in case of further developments.

AFCA recognises and understands that many ACBF customers are in a difficult situation. They have suffered considerable financial loss as a result of the actions of these financial firms. They now find that the firms' insolvency means there is little likelihood of any compensation being paid to them.

AFCA encourages ACBF customers to still lodge complaints with us, so that their dispute is registered in our system should anything change.

In July 2022 the Australian Government announced it was establishing a Youpla Group funeral benefit program intended to help affected members' families to continue to mourn their loved ones and conduct Sorry Business with dignity.

### Streamlined lodgment process

AFCA worked with a range of community stakeholders to implement a streamlined complaint lodgment process for First Nations peoples and their representatives affected by the collapse. We also provided training for our customer service consultants about the significance of cultural practices within communities that occur during times of mourning, often referred to as Sorry Business.

We would like to acknowledge the important contribution of consumer advocates across the country who provide representation, advocacy and outreach services to metro, regional, rural and remote Aboriginal and Torres Strait Islander communities, many of whom are still unaware that their funeral plan policies are no longer active.

<sup>1</sup> As at 30 September 2022.



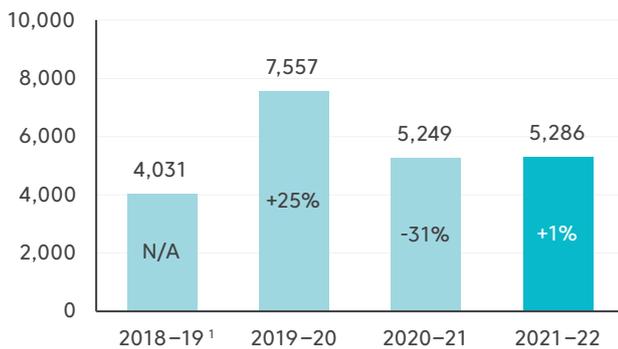
# Superannuation complaints

Between 1 July 2021 and 30 June 2022

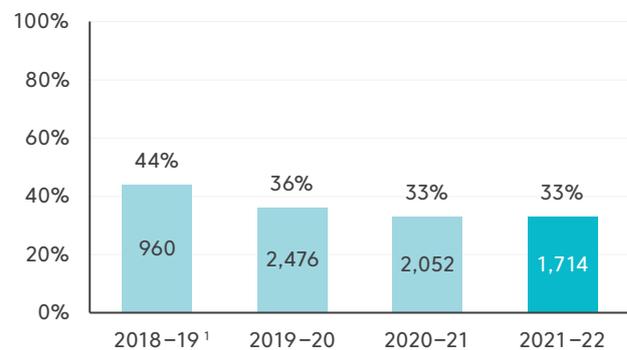
**5,286** complaints received

**33%** resolved at Registration and Referral stage

## Superannuation complaints received



## Percentage of superannuation complaints resolved at Registration and Referral stage



## Top five superannuation complaints received by product

Product	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Superannuation account	1,680	3,723	2,717	3,009
Total and permanent disability	674	1,161	978	1,014
Income protection	322	925	833	795
Death benefit	364	578	453	457
Pension	70	58	52	77

## Top five superannuation complaints received by issue

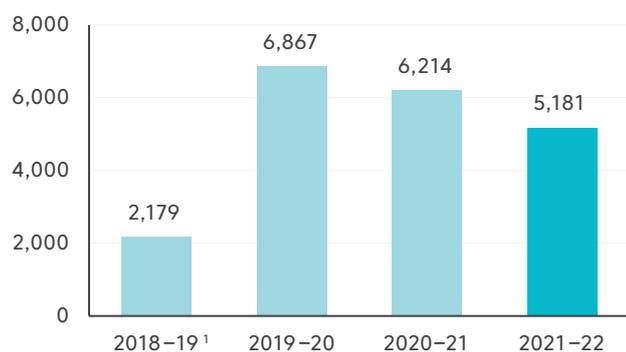
Issue	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Service quality	183	648	517	774
Delay in claims handling	463	1,260	856	737
Account administration error	299	570	487	506
Denial of claim	251	556	517	438
Claim amount	262	427	362	342

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

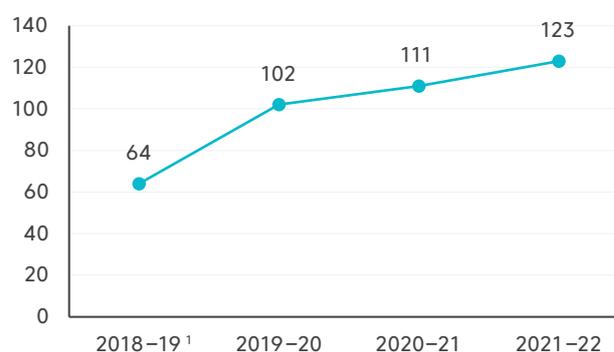
**5,181** complaints closed

Average time to close a complaint  
**123 days**

### Superannuation complaints closed



### Average time to close a superannuation complaint in days



### Stage at which superannuation complaints closed

Stage	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
At Registration	960	2,476	2,052	1,714
At Case Management	793	2,830	2,466	2,084
At Rules Review	241	254	168	177
Preliminary Assessment	140	816	909	613
Decision	45	491	619	593

### Average time taken to close superannuation complaints

Time	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Closed in 0-30 days	454	1,117	770	681
Closed in 31-60 days	675	1,285	1,363	1,342
Closed in 61-180 days	1,009	3,355	3,051	2,096
Closed in 181-365 days	41	1,013	762	636
Closed in in more than 365 days	0	97	268	426

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

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 decisions about an application for insurance held through superannuation
- decisions about a total and permanent disability or income protection claim, including where the claim involves insurance cover held through the superannuation fund
- cancellation of insurance cover
- 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, unauthorised or took too long.

## Key insights:

- Superannuation funds are continuing to see complaints about the administration of accounts, insurance cover and the allocation of death benefits.
- Fund members find the complexity of the superannuation system and its regulation challenging, and have high expectations of their funds in terms of the support they will provide.

AFCA received 5,286 superannuation complaints during the 2021–22 financial year, which was around 7% of the total complaints received by AFCA. This is consistent with the number of superannuation complaints received last year.

Of the superannuation complaints received, 3,009 were about superannuation accounts. This included complaints about:

- charging premiums the complainant believes were incorrectly applied to their account or were not disclosed
- delays in rollovers
- the transfer of inactive accounts to the ATO
- errors made in implementing investment switches
- the cancellation of insurance cover
- the calculation of fees and charges
- eligibility for pensions
- incorrect processing of tax-related forms and elections.

The second most common super product complained about in 2021–22 was total and permanent disability insurance, with 1,014 complaints. The third most common super product complained about was income protection insurance, with 795 complaints. These insurance-related 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, and an industry and consumer representative. AFCA may also seek the expertise of a specialist medical professional to assist in the assessment of competing medical reports.

Complaints about death benefits were the fourth most common category, with 457 complaints.

The most common issues for superannuation complaints in 2021–22 were service quality (774) and delays in claim handling (737).

Of the superannuation complaints closed, 1,714 were closed at Registration and Referral, 2,084 were closed at Case Management and 593 progressed through to a final decision.

Superannuation complaints often take longer to resolve than other complaints because of their complexity and the longer 45-day period trustees have to resolve the complaint at the Registration and Referral stage (90 days for death benefit distribution complaints). This varies from the 30 days allowed for most other types of complaints AFCA receives.

Common themes AFCA is currently seeing in superannuation complaints include:

- claims for total and permanent disability, income protection or death benefits where the trustee says there was no cover in place
- total and permanent disability and income protection claims where the insurer says the complainant failed to disclose relevant medical history
- disputes about the pre-disability income that should be accepted by the insurer in income protection claims
- cancellation of insurance due to the operation of Protecting Your Super or Putting Members' Interests First legislation, or where there were not enough funds in the account to pay premiums, where the complainant says the trustee failed to warn them adequately
- complaints about the trustee's management of investment switch requests, particularly during periods of market volatility.

Many superannuation complaints involve issues about disclosure and communication by trustees. Even in cases where AFCA is satisfied the member was given relevant information, we can often see that the complaint may have been avoided or resolved more readily if the communication had been more clearly written, was timely or delivered in a different way. AFCA is sharing learnings from these observations with the industry through our stakeholder engagement program.



## Case study

### Background

This complaint was about the trustee's decision to distribute a death benefit to the deceased's mother. This decision was based on the mother being in an interdependency relationship with the deceased fund member.

The complainant was the deceased's legal spouse, and he and the deceased were separated. He said the separation was temporary, and that he should receive the deceased's superannuation as her spouse. He disputed that the mother, who was joined to the complaint, was in an interdependency relationship with the deceased.

The trustee said its decision to pay the mother was consistent with the purpose of superannuation as she was in an interdependency relationship with the deceased and was, therefore, a dependant.

While acknowledging the complainant was the legal spouse, the trustee said it was satisfied the deceased and complainant had separated and there was no evidence of any potential reconciliation, or that he was financially dependent on the deceased.

There was evidence to establish the mother was in an interdependency relationship with the deceased as they lived together, and the deceased provided care to her.

There was also a level of financial interdependence, as the mother had invested in the home she and the deceased shared and contributed towards household expenses. The mother had an expectation that she would always remain living with the deceased.

### Findings and outcome

The decision maker set aside the trustee's decision for the following reasons:

- While it was accepted the mother was in an interdependency relationship with the deceased, the decision to pay the whole of the death benefit to her did not give adequate consideration to the complainant's position as legal spouse and the expectations arising from the likely outcome of a financial settlement.
- Although divorce proceedings had not commenced, there was evidence to support that the deceased had started to explore a financial settlement.

The substituted decision was that the death benefit be paid 60% to the mother and 40% to the complainant.

The mother was awarded a higher percentage on the basis that the interdependency relationship would have continued beyond the finalisation of the deceased's financial relationship with the complainant.

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

## Case study

### Background

This complaint was about the cancellation of the complainant's total and permanent disability and death insurance cover held with the fund. When the complainant joined the fund in April 2019, he received automatic total and permanent disability and death insurance cover.

In November 2019, the complainant messaged the fund to say he would like to cancel his automatic cover and asked how to formalise this. In August 2020, the complainant asked the trustee to confirm the amount of insurance cover he held, but the trustee did not respond.

In December 2020, the trustee wrote to the complainant to say it had cancelled the complainant's automatic cover (effective November 2019) and had refunded premiums to his superannuation account. The insurance policy issued by the insurer to the trustee included a term saying that insurance cover ceased when a written request was received to cancel the cover.

The complainant brought a complaint to AFCA because he said his online enquiry was not an instruction to cancel his insurance and he wanted his insurance reinstated. The trustee said it had approached the insurer (which was not a party to the complaint), but it had declined to reinstate the complainant's insurance.

### Findings and outcome

In the determination, AFCA found that the relevant term of the policy must be fairly interpreted to require a proper and valid request from the trustee to cancel a member's cover. This is because a duty of utmost good faith applies to all aspects of the relationship between the insurer, the trustee and the complainant.

It would not be consistent with the duty of utmost good faith for a trustee to cancel a member's insurance cover invalidly, or for an insurer to act on an invalid request.

AFCA found the trustee's request to the insurer to cancel the complainant's insurance cover was neither properly nor validly made because:

- even if the complainant's online message in November 2019 was considered an instruction to cancel his cover, the trustee delayed actioning it for over 12 months
- in the meantime, the trustee issued communications to the complainant to the effect he had cover in place
- the complainant asked the trustee in August 2020 to confirm his insurance cover was active
- the trustee did not follow its own business rules in cancelling the cover.

In the determination, AFCA found the trustee's decision was not fair and reasonable in its operation in relation to the complainant in all the circumstances, and the appropriate remedy was for the trustee to acknowledge it did not properly cancel the complainant's insurance and to procure a reinstatement of the cover from the insurer.

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



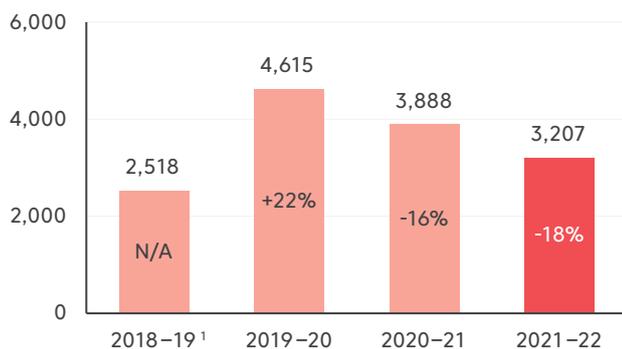
# Investments and advice complaints

Between 1 July 2021 and 30 June 2022

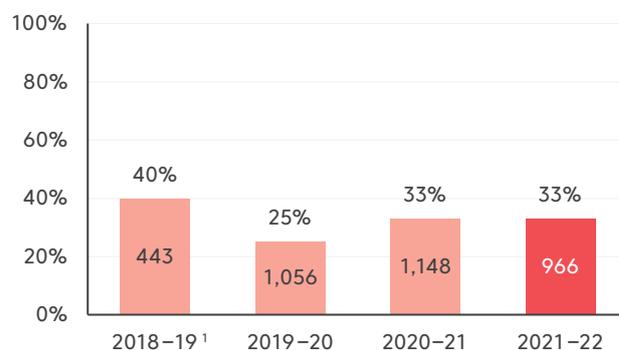
**3,207** complaints received

**33%** resolved at Registration and Referral stage

## Investments and advice complaints received



## Percentage of investments and advice complaints resolved at Registration and Referral stage



## Top five investments and advice complaints received by product

Product	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Shares	226	528	950	669
Contracts for difference	59	124	417	646
Superannuation fund	171	451	302	272
Foreign exchange	845	759	431	260
Self-managed superannuation fund	228	345	272	259

## Top five investments and advice complaints received by issue

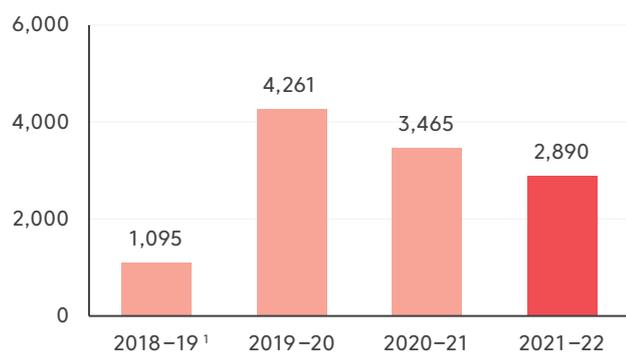
Issue	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Interpretation of product terms and conditions	78	76	100	654
Service quality	118	380	674	570
Failure to follow instructions/agreement	701	575	229	332
Failure to act in client's best interests	212	469	525	281
Inappropriate advice	323	585	534	241

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

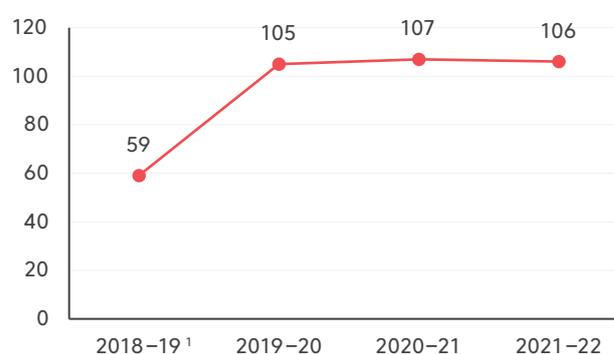
**2,890** complaints closed

Average time to close a complaint  
**106 days**

### Investments and advice complaints closed



### Average time to close a investments and advice complaint in days



### Stage at which investments and advice complaints closed

Stage	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
At Registration	443	1,056	1,148	966
At Case Management	354	1,102	938	717
At Rules Review	217	1,308	584	630
Preliminary Assessment	54	328	333	235
Decision	27	467	462	342

### Average time taken to close investments and advice complaints

Time	2018-19 <sup>1</sup>	2019-20	2020-21	2021-22
Closed in 0-30 days	303	658	666	595
Closed in 31-60 days	317	975	779	731
Closed in 61-180 days	466	1,798	1,352	1,047
Closed in 181-365 days	9	653	499	267
Closed in in more than 365 days	0	177	169	250

<sup>1</sup> AFCA commenced on 1 November 2018. The 2018-19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 18-19 and 19-20 have been calculated pro rata using monthly averages.

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.

## Key insights:

- With a couple of notable exceptions, investments and advice complaint numbers have continued a downward trend.
- The trend is particularly evident in the financial planning area.
- The areas that have seen an increase in disputes are contract for differences and cryptocurrencies.
- Increases in complaints are most likely due to the increased uptake of these products during COVID-19 lockdowns and increased publicity in the media about cryptocurrencies.

AFCA received a total of 3,207 investments, and advice complaints in 2021–22, which was 4% of the total complaints received by AFCA.

There were 2,890 investments and advice complaints closed during the year.

Of the complaints closed, 33% were resolved at Registration and Referral, 25% were resolved at Case Management and only 12% proceeded through to decision.

Forty-six per cent of complaints were closed within 60 days. However, the average time to resolve a complaint was 106 days, which reflects the complex nature of complaints in the investments and advice space.

The most complained about financial firm types in relation to investment and advice products were foreign exchange dealers (568), followed by financial advisers/planners (506) and derivatives dealers (417).

Shares (669) and contracts for difference (646) were the most complained about products.

The top issues raised were interpretation of product terms and conditions (654) and service quality (570).

The industry can continue to reduce complaints overall by effective communication with clients, and ensuring consumers understand the products they are entering. In the contracts for differences space, AFCA has a number of disputes regarding ASIC's Regulatory Guide 227 Over-the-counter contracts for difference: Improving disclosure for retail investors.

Financial firms should continue to work on their procedures to ensure consumers are suitable to trade these complex products.

There continues to be significant improvements in the financial advice area as standards have lifted; however, some firms continue to resist cooperative engagement with AFCA, which leads to detrimental outcomes for consumers and the relevant firm alike.

Many of the disputes in this area are due to systemic issues with a business model, often involving a conflict.

**“You did an incredible job with my case, as I didn't think I was going to get any money back, so thank you again for your hard work and dedication in pursuing my case and having an amazing outcome for me.”**

*- Feedback from a consumer*

## Case study

### Background

The complainant held a cryptocurrency trading account with the financial firm. He said he was the victim of an initial coin offering (ICO) scam orchestrated by an organisation named Company K.

He said he used the financial firm's platform to transfer the equivalent of AUD119,550 worth of bitcoin to Company K, believing he was investing with a legitimate company. Since the transfer, Company K stopped responding to the complainant and the funds are no longer available.

The complainant said the financial firm should have alerted him to the potential scam and should not have allowed the transfer of his bitcoin to Company K. He is requesting compensation for his losses of AUD119,550.

The financial firm said that due to the anonymous nature of cryptocurrencies, it is unable to identify recipients that are not using its platform and is unable to identify the owners of cryptocurrency addresses. Further, it says, it warns against transfers to unknown recipients and provides adequate security recommendations to its customers.

### Findings and outcome

The relationship between the complainant and the financial firm is contractual. The financial firm is not the complainant's fiduciary and does not have an obligation to make investigations on the complainant's behalf to ensure the legitimacy of investments he wishes to make. The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) does not impose such an obligation either.

The financial firm's obligation to act with due care and skill when executing client instructions requires that it not turn a blind eye if it is on notice of a real possibility of fraud. However, this does not place an obligation on the financial firm to have data scientists and analysts in place to monitor transactions and identify unusual transactions.

The ombudsman accepted the transactions may have reflected unusual account activity for the complainant. She found, however, that this alone did not place the financial firm on notice of the possibility of fraud. The judgment of when a financial firm is on notice must be established on the facts of a particular case and may rely on a range of factors, in particular, circumstances that gives rise to a legitimate suspicion. The ombudsman was not satisfied there were sufficient factors to have put the financial firm on notice in this instance.

While the ombudsman noted the financial firm had access to alerts, such as **scamwatch.gov.au**, there was no information to support a finding that this would have put the financial firm on notice of the real possibility of fraud occurring. Company K did not appear on this alert at the time of the complainant's transactions.

Further, the ombudsman found that when the complainant queried the financial firm's knowledge of Company K, it responded that it had no knowledge and the complainant would need to conduct his own due diligence. The ombudsman was satisfied that this clearly alerted the complainant that the financial firm did not endorse or know of Company K. The complainant held concerns about the legitimacy of Company K at the time of instructing the transfer, but still elected to proceed. The complainant's decision to proceed with the transaction was not the responsibility of the financial firm.

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

## Case study

### Background

Mr K and Mrs K were individual complainants as well as directors of a self-managed superannuation fund (SMSF) corporate trustee company, collectively known as the complainants. The complainants said the financial firm provided them with inappropriate advice.

In July 2015, the complainants sought personal advice on retirement planning from the financial firm. The financial firm advised the complainants to:

- establish an SMSF
- partially roll over superannuation funds invested in APRA-regulated funds
- borrow to purchase a property within the SMSF.

The complainants agreed to proceed with the financial firm's advice and established the SMSF, as advised, with a balance of \$140,000. They then entered a contract of sale and paid a \$39,500 deposit for a property known as 'Illuminate'.

When construction of Illuminate was completed around October 2016, the complainants were unable to obtain finance to settle the purchase.

The financial firm said the strategy was appropriate, and only failed because the complainants resigned from their respective employment. This meant they were not able to secure financing. The complainants also withdrew \$44,225 from their SMSF in February 2017, which resulted in a smaller balance.

The financial firm was able to find another buyer for Illuminate and obtained a refund of the initial deposit back on behalf of the SMSF. The complainants were not satisfied and sought \$95,000 in compensation.

### Findings and outcome

The Ombudsman found that the financial firm's advice was inappropriate because:

- the advice was based on unclear goals
- an SMSF was not a cost-effective vehicle for the complainants
- the complainants had no need for an SMSF
- gearing to invest in a single asset was inconsistent with the complainants' risk profiles
- the SMSF property was highly leveraged
- the strategy lacked diversification.

Further, the Ombudsman found that in circumstances where the members of an SMSF have different risk profiles (Mr K had a 'growth' profile and Mrs K had a 'moderate' profile), the advice needs to be appropriate and have regard to the risk tolerance of each member. This did not occur.

In reaching their conclusion the Ombudsman also had regard to ASIC guidance (Information Sheet 205, published July 2015), which recommends that an SMSF have a minimum balance of \$200,000 to be cost-effective (the complainants had a balance of \$140,000).

The Ombudsman found that 'but for' the inappropriate advice, the complainants would have remained in their previous funds. While the financial firm had already returned the complainants' deposit, the Ombudsman found the complainants were entitled to \$29,526 additional compensation based on the better performance of their previous APRA-regulated funds.

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

# Cryptocurrency

Cryptocurrency is an internet-based-virtual currency that is created and stored electronically.

Cryptocurrency, or digital asset providers, are generally not required by law to be AFCA members. This is because cryptocurrency is not a regulated financial product under the Corporations Act. However, some providers have chosen to be members of AFCA voluntarily, or have joined as a condition of membership of an industry association.

In 2021–22, AFCA received 198 complaints about cryptocurrency, which is 36% more than the previous year.

AFCA closed 204 complaints (complaints closed included those received in the previous year), the majority of which were resolved by agreement. On average, it took 81 days to resolve a complaint.

The majority of complaints in this area are about whether the cryptocurrency exchange should have been aware the complainant was intending to buy and transfer cryptocurrency to a third-party scammer and acted to prevent the exchange. Given the execution-only nature of these services and the anonymous nature of the blockchain, it can be very difficult to establish whether the financial firm could have identified the scam prior to executing the consumer's instruction.

**198** complaints received

**204** complaints closed

Total compensation awarded  
**\$240,188.59**

**57%** of complaints resolved by agreement

**89%** of determinations in favour of financial firms

## Stage at which cryptocurrency-related complaints resolved

Stage	Total
Registration	75
Rules Review	23
Case Management	72
Preliminary View	14
Decision	20



# Complaints lodged by consumer advocates and financial counsellors

Consumer advocates and financial counsellors play an important role at AFCA. They represent people throughout their complaint free of charge, as well as referring people directly to AFCA for help.

Referrals from these 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 3,418 complaints referred to AFCA by consumer advocates in 2021–22, which was a 20% increase on the previous year.

There were an additional 840 complaints lodged by consumer advocates on behalf of complainants during the same period, which was a 13% increase on the previous year. The percentage of complaints submitted by financial counsellors remained similar to the previous year at almost 60%. Significantly, a third of complaints lodged by consumer advocates were on behalf of First Nations peoples, which is largely attributable to the large number of complaints about the Youpla Group (see page 79 for more information).

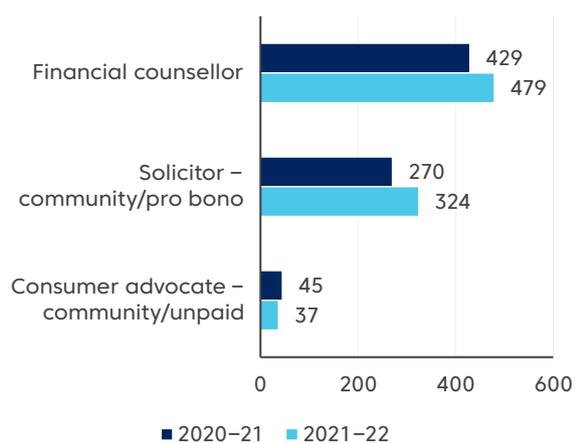
## People experiencing difficult circumstances

Sixteen per cent of complaints lodged by consumer advocates were for people experiencing difficult circumstances, or who needed additional help to understand and stay engaged with the complaints process.

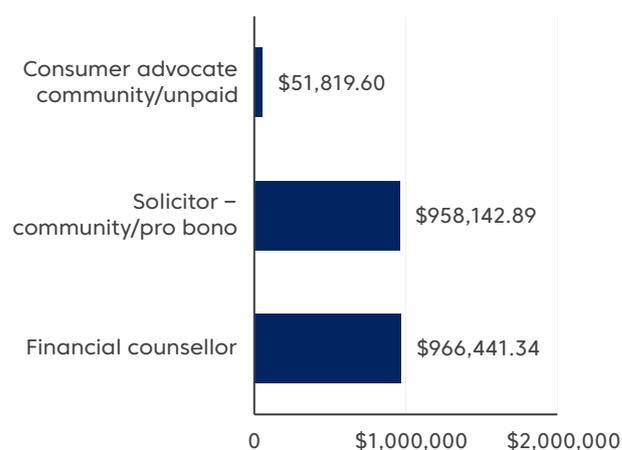
The better we understand an individual's circumstances, the better we can tailor our service:

- Family violence – victim-survivors of family violence may be experiencing severe trauma and/or financial hardship as a result of financial abuse and may also be at risk of homelessness.
- Other help needed – this can include a range of circumstances that require consideration about how we conduct the complaints process, including for people who are incarcerated.
- Mental health condition – people can experience generalised stress and anxiety as a result of financial difficulty or chronic pain, or may even be experiencing suicidal ideation. They may also suffer from a range of mental health conditions, including post-traumatic stress syndrome.
- Literacy – we can engage wholly over the phone to ensure there are no misunderstandings as a result of low literacy or numeracy.
- Cognitive condition – people who report they have a cognitive condition let us know they need help to understand words and concepts and, in some cases, may find it difficult to manage strong emotions, such as anger. We work together with the authorised representative to explain complex legal and financial documents.

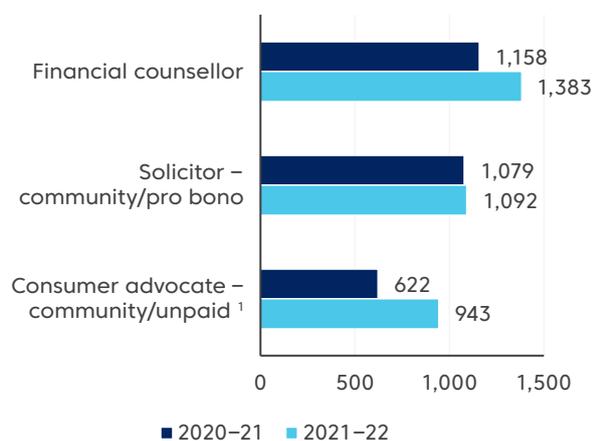
### Complaints lodged by consumer advocates



### Compensation amounts awarded



### Complaints referred to AFCA by consumer advocates



### Stage at which complaints closed

Total	2020-21	2021-22
Before referral	5	4
Registration and Referral	258	194
Jurisdictional review	32	36
Case management 1	89	105
Case management 2	84	81
Preliminary Assessment	34	26
Decision	30	25

<sup>1</sup> This category includes faith-based organisations, charities, disability, migrant, multicultural, youth and other specialist advocacy services

## Complaints lodged by consumer advocates

**56%** of these complaints are now closed

**41%** of complaints were closed at Registration and Referral

**20%** of complaints related to financial difficulty (non-business)

**52%** of complaints related to credit products.

Top three credit products were personal loans (174), home loans (109) and credit cards (72)

**33%** of complaints related to life insurance  
Standout life insurance product was funeral plans (241)

## Complaints lodged by financial counsellors

**71%** of these complaints are now closed

**46%** of complaints were closed at Registration and Referral. Of these, 95% were resolved by the financial firm

**75%** of complaints related to credit products

Top three credit products were personal loans (137), home loans (92) and credit cards (61)

**11%** of complaints related to life insurance  
Standout life insurance product was funeral plans (48)

**32%** of complaints related to financial difficulty (non-business)

### Stage at which complaints closed

Total	2020-21	2021-22
Before referral	1	2
Registration and Referral	185	158
Jurisdictional review	18	24
Case management 1	64	69
Case management 2	61	66
Preliminary Assessment	17	17
Decision	13	5

## Complaints lodged by financial councillor organisations

**53%** of complaints were lodged by financial counsellors from just 10 organisations:

- Indigenous Consumer Assistance Network (ICAN) (50)
- The Salvation Army Moneycare (42)
- Anglicare Victoria (41)
- Uniting Vic/Tas (28) [includes Lentara UnitingCare and UnitingCare Regen]
- St Vincent de Paul Society (WA) (19)
- Broome Circle (15)
- Child & Family Services (CAFS) (15)
- EACH (15)
- Primary Care Connect (14)
- UnitingCare Community (14)

### Geographic spread of complaints lodged by financial counsellors

State/Territory	2020-21	2021-22
ACT	2%	1%
NSW	12%	13%
NT	3%	5%
QLD	12%	20%
SA	7%	6%
TAS	2%	3%
VIC	50%	39%
WA	11%	14%

**49%** of complaints lodged by financial counsellors were lodged against 12 financial firms

### Top 12 financial firms in complaints lodged by financial counsellors

Financial firm	Total
Youpla Group	50
Commonwealth Bank of Australia	43
National Australia Bank Limited	24
Australia and New Zealand Banking Group Limited	22
Citigroup Pty Limited	18
Latitude Finance Australia	18
Toyota Finance Australia Limited	14
Westpac Banking Corporation	13
Ausfinancial Pty Ltd	10
AAI Limited	7
Bendigo and Adelaide Bank Limited	7
Money3 Loans Pty Ltd	7

## Complaints lodged by community-based lawyers

**33%** of these complaints are now closed

**27%** of complaints were closed at Registration and Referral. Of these, 97% were resolved by the financial firm

**4%** of complaints related to financial difficulty (non-business)

**23%** of complaints related to credit products

Top three credit products were personal loans (31), home loans (16) and credit cards (11)

**67%** of complaints related to life insurance

Standout life insurance product was funeral plans (188)

### Stage at which complaints closed

Total	2020-21	2021-22
Before referral	1	2
Registration and Referral	56	29
Jurisdictional review	11	9
Case management 1	17	30
Case management 2	22	9
Preliminary Assessment	14	7
Decision	15	20

### Top 11 financial firms in complaints lodged by community-based lawyers

Financial firm	2021-22
Youpla Group	202
CBA	9
Insurance Australia Limited	6
AAI Limited	5
ANZ	5
Westpac	5
Jacaranda Finance	3
NAB	3
OnePath Life	3
TAL Life	3
Toyota Finance	3

## Complainants lodged by community-based lawyers organisations

**81%**<sup>1</sup> of complaints (by community legal centres) were lodged by community-based lawyers from just five organisations:

- Legal Aid NSW (174)
- Financial Rights Legal Centre (45)
- Consumer Action Law Centre (24)
- Victorian Aboriginal Legal Service (10)
- North Australian Aboriginal Legal Service (9)

Three quarters of these complaints related to the collapse of the Youpla group of companies.

<sup>1</sup> 188 of these complaints related to funeral insurance.

# 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. This is outside the normal six-year rule that applies 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 1,927 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.

In 2021–22, AFCA closed 166 legacy complaints. One hundred and thirty of these cases were closed at decision.

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. There were only 93 legacy complaints open at the end of 2021–22.

**“Matters like these are insights for our business to improve on to improve the overall customer experience.”**

*- Feedback from a member*

# Complaints outside AFCA's Rules

The AFCA Rules set out the 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.

## Where a complaint is excluded under AFCA Rules

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 AFCA is unable to consider a complaint, we provide helpful information to complainants about other ways they may be able to resolve their complaints outside 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 2021–22 financial year, we excluded 8,282 complaints as outside AFCA's jurisdiction. The majority of these complaints (77%) were excluded on the basis of a mandatory exclusion.

For AFCA to consider a complaint, it must:

- fall within the scope of the complaints we can consider
- be lodged against a financial firm that is a current member of AFCA
- be lodged within AFCA's time limits (the "eligibility requirements") and
- not be excluded under any of the mandatory exclusions.

AFCA can also exercise its discretion to exclude a complaint if this is appropriate for any of a number of reasons.

The most common reason a complaint fell outside AFCA's scope was because a financial service was not provided to the complainant by the financial firm (Rule B.2.1a)), with 2,414 (29%) complaints falling into this category. This may occur where the complainant incorrectly lodged against the wrong financial firm.

Sometimes, the complainant had a financial service provided, but not by the firm they selected. Of these, 139 (6%) were subsequently lodged against the correct financial firm.

The second most common category for exclusion was uninsured motor vehicle criteria not met (458). Under the Rules, the requirements for an uninsured motor vehicle complaint are that the complainant must not hold a comprehensive motor vehicle insurance policy; the claim must be for property damage to the uninsured vehicle caused by the driver of the insured vehicle; and the claim must be under another person's motor vehicle insurance policy and must be a valid claim (Rule B.2.1(f)).

The third most common reason a complaint fell outside AFCA's jurisdiction was the complainant was not generally eligible (317). This includes where a complainant does not have standing to bring a complaint to AFCA.

The most common reason complaints were outside the Rules under mandatory exclusions was complaints that were solely about the level of fee/premium/charge/interest rate charged by a financial firm (395).

This was followed by assessment of credit risk (325) and/or because the complaint had already been dealt with by another court/tribunal/scheme (258).

The top three reasons for AFCA exercising its discretion to exclude a complaint were:

- there was a more appropriate place to consider the complaint (566)
- within its general discretion to exclude (542)
- the complainant's representative would not comply with the AFCA complaint process (275)

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

Next financial year, AFCA will commence a review of its Rules and Operational Guidelines in consultation with ASIC and a number of other stakeholders. Data insights about the types of complaints that fall outside AFCA's jurisdiction will be used as part of this process to identify any further areas for improvement or refinement under the Rules and Operational Guidelines.

#### Top three reasons complaints were outside the Rules – eligibility not met and number of complaints

Reason	2018–19	2019–20	2020–21	2021–22
OTR A.4.1 Complainant not eligible – general	223	354	316	317
OTR B.4.3.1 (a) Outside six-year time limit	219	259	270	271
OTR A.4.2 FF Not a current member	249	291	195	218

#### Top three reasons complaints were outside the Rules – mandatory exclusions and number of complaints

Reason	2018–19	2019–20	2020–21	2021–22
OTR C.1.2 (a) Level of fee/premium/charge/interest rate	237	330	246	395
OTR C.1.3 (a) Assessment of credit risk	262	442	312	325
OTR C.1.4 (a) Exclusion – excluded GI policy	137	254	193	267

#### Top three reasons complaints were outside the Rules – discretionary exclusions and number of complaints

Reason	2018–19	2019–20	2020–21	2021–22
OTR B.2.1 (a) Financial service not provided	1,411	2,678	2,271	2,414
OTR C.2.2 (a) More appropriate place	309	518	401	566
OTR A.8.3 Rules assessment <sup>1</sup>	N/A	N/A	254	959

<sup>1</sup> These complaints were within AFCA's jurisdiction, however, we used a discretion to cease dealing with them.

# Systemic issues

In addition to AFCA's remit to resolve individual complaints, AFCA plays a critical role in the broader consumer protection framework. We have an obligation to identify and report systemic issues, serious contraventions of the law and other reportable matters set out under section 1052E of the Corporations Act to regulators, including ASIC, APRA and the ATO.

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

Our role in identifying and reporting systemic issues benefits consumers who have not lodged a complaint with AFCA but who may, nonetheless, have been impacted by a systemic issue identified through our consideration of individual consumer complaints.

With the introduction of RG271 in October 2021, financial firms have enforceable obligations to manage systemic issues identified through consumer complaints. AFCA's role sits alongside this and assists member firms to identify possible systemic issues, so they can quickly put in place a program to rectify the issue and remediate consumer harm; thereby, reducing consumer complaints flowing through to external dispute resolution.

## Transformation

The transformation of AFCA's systemic issues function is a strategic focus for AFCA and our Board.

There are two Independent Review recommendations relating to AFCA's systemic issues function. The transformation project will respond to the following recommendations.

1. Recommendation 12, which relates to AFCA clarifying its systemic issues role compared to that of regulators.
2. Recommendation 13, which relates to AFCA increasing transparency of its systemic issues work through public reporting.

Key objectives of the transformation are:

- We are world-class leaders in the identification and investigation of systemic issues, leveraging data and analytics for early detection and efficient investigation.
- The role of the systemic issues function is recognised and clearly understood by key stakeholders. It is supported by consistent and transparent processes, allowing for effective, timely investigation and resolution of systemic issues.
- Our engagement with regulators, consumer advocates and members is proactive and collaborative, with sophisticated technology to seamlessly share data and valuable insights in real time.
- Our people have the right tools, resources and capability to apply judgment and critical thinking to resolve systemic issues supporting an enhanced experience for our members and stakeholders.

## Impact of AFCA's systemic issues work

Our systemic issues work has achieved great results this financial year.

In 2021–2022, AFCA conducted 153 detailed systemic issues investigations and resolved 46 systemic issues investigations with financial firms. This resulted in \$18,275,607 in financial remediation to 167,033 consumers and small businesses. Other consumer outcomes included the reinstatement of incorrectly cancelled general and life insurance policies, and the rectification of credit and repayment history information on consumer credit reports.

In addition, AFCA reported 23 reportable matters to regulators over the year, 19 of which related to financial firms refusing or failing to give effect to AFCA determinations and one related to a serious contravention of the law.

Between 1 July 2021 and 30 June 2022, AFCA:

- identification and investigation of systemic issues resulting in the remediation to 167,033 consumers
- ensured \$18,275,607 in refunds were made to consumers
- identified over 993 potential systemic issues
- referred 153 systemic issue investigations to financial firms
- reported 67 systemic issues to regulators
- resolved 46 systemic issues investigations with financial firms

- reported 23 serious contraventions of the law and other breaches under section 1052E(1)–(3) of the Corporations Act:
  - total number of serious contraventions of the law reported to regulators – 1
  - total number of other reportable matters reported to regulators – 22, including:
    - 19<sup>1</sup> reports made about financial firms' refusal or failure to give effect to AFCA determinations
    - three reports made about settlements that may require investigation.

## Systemic issues process

During a systemic issues investigation, AFCA engages with a financial firm to discuss the issue and gather information to make an informed decision about whether the matter is, in fact, a systemic issue. An issue will be considered systemic if the error or conduct:

- is an issue that is likely to have an effect on consumers beyond the individual complaint
- has had a detrimental effect on consumers or could pose a future risk of harm to consumers
- is a breach of a statutory or regulatory obligation or good industry practice.

<sup>1</sup> One of the reports related to ACBF and multiple failures by them to meet their obligations to pay determinations.



## Case study

- Consumers impacted – 714
- Financial remediation – \$51,597
- Financial firm had 65 internal dispute resolution (IDR) complaints about this issue, but had not identified it as a systemic issue.

AFCA identified a concern that a financial firm was not offering travel insurance policy holders a premium refund or credit during a period when their travel insurance would not have provided cover due to COVID-19 travel cancellations.

The complaint on which AFCA identified the issue related to an overseas trip planned from 18 March 2020 to 10 April 2020, where the return airline tickets had been cancelled by the airline provider. The policy holder made a claim that was declined by the insurer under a 'pandemic or other epidemic break-outs' exclusion in the Product Disclosure Statement. AFCA identified seven other consumer complaints that raised the same issue.

AFCA engaged with the financial firm to clarify how it had been handling claims made relating to cancelled travel during COVID-19. It was AFCA's published view at the time that a premium refund was a fair outcome if an insurer was entitled to deny a policy holder's travel-related claim based on a blanket pandemic-related exclusion.

During the investigation process, the financial firm worked with AFCA and identified many consumers who had not been offered a premium refund following claim denials, due to the application of pandemic-related exclusions. It had also dealt with 65 internal dispute resolution complaints about this issue.

AFCA assessed a definite systemic issue. The financial firm implemented a small remediation program in April 2022 to address the issue and this program was completed in June 2022.

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

## Case study

- Customers impacted – 17,285
- Financial remediation – \$11,658,333
- Financial firm identified systemic issue following AFCA determination and breach reported to ASIC.

AFCA identified an issue with the way in which a financial firm was applying and factoring premium policy discounts, alongside premium re-pricing for its life insurance policies.

The complaint on which AFCA identified the issue related to a complainant who had taken out a level premium life insurance policy with the insurer. The complainant brought the complaint to AFCA due to concerns that the insurer appeared to have removed discounts and unreasonably increased the premium. AFCA identified eight other consumer complaints that raised the same issue.

AFCA engaged with the financial firm about the issue. We recognise that insurers are entitled to set the level of their premiums by exercising commercial judgment in a competitive and open market where similar products are available. It is open for the consumer to choose the policy that is most suitable for their individual needs and circumstances, taking into account the policy features including premium cost. However, in this instance, AFCA was concerned that the insurer appeared to have unfairly removed and/or reduced various premium discounts when it re-priced its policy.

Following the determination made by AFCA on the consumer complaint, the financial firm commenced an internal investigation, made a breach report to ASIC and initiated a large-scale remediation of 17,000 consumers, projected to provide more than \$10 million in refunds to impacted consumers.

The financial firm engaged closely with AFCA through the investigation process and confirmed its report to ASIC. Once it was confirmed that the financial firm's report to the regulator covered the issues identified by AFCA, we concluded our investigation.

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

## Case study

- Customers impacted – 2,542
- Financial remediation – \$130,000
- A systemic issue relating to a failure of process.

AFCA identified concern with the way a financial firm reported credit information to credit reporting bodies. The financial firm was reporting closed accounts as 'open' in certain circumstances and this resulted in incorrect default listings, including where a consumer's debt had been waived on compassionate grounds. There was also an issue of delay in the financial firm correcting credit reports once a customer complained of incorrect information on their credit file.

The complaint that led AFCA to identify the issue related to the complainant's request to the credit-reporting body to update incorrect information on their credit file. The credit-reporting body advised that it had not received a request from the financial firm. AFCA identified seven other consumer complaints that raised the same issue.

AFCA engaged with the financial firm about the issue. Through the investigation process, the financial firm identified the main cause of the issue. Its staff were skipping a step in the process and failing to input a 'close date' when closing a customer's account. This failure meant that incorrect, or inaccurate, information passed onto the downstream automatic credit-reporting activity, which passed on information to credit-reporting bodies.

Through the investigation process, the financial firm confirmed that it had identified 2,542 impacted consumer credit files. AFCA assessed this as a definite systemic issue on that basis, and it reported the systemic issue to ASIC and the Office of the Australian Information Commissioner.

The financial firm undertook several actions to rectify the systemic issue, including:

- correcting 2,542 impacted customer credit files
- updating its system to classify certain fields, such as making the 'close date' a mandatory field
- introducing an additional check control prior to informing credit reporting bureaus
- providing additional coaching and feedback to relevant staff
- introducing new processes to reduce time rectifying incorrect information on credit files.

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



# Code compliance and monitoring

The Code Compliance and Monitoring Team (Code Team) supports the work of independent committees that oversee five Codes of Practice in the Australian financial services sector. These Codes of Practice are:

1. Banking Code of Practice (BCCC)
2. Customer Owned Banking Code of Practice (COBCCC)
3. General Insurance Code of Practice (GICCC)
4. Life Insurance Code of Practice (Life CCC)
5. Insurance Brokers Code of Practice (IBCCC)

The Codes set standards for the institutions that subscribe to the Codes on areas of service provision, professional conduct and ethical behaviour.

The Code Team monitors compliance with the Codes and provides secretarial services to the five committees. Each committee is composed of an independent Chair, a consumer representative and an industry representative.

The Code Team works with subscriber institutions to ensure they comply with their Code obligations. This helps to raise industry standards, minimise complaints and improve outcomes for consumers.

The Code Team is a separately operated and funded business unit of AFCA. Its services are funded by the industry associations and Code subscribers.

In 2021–22, the Code Team appointed a new General Manager of Code Compliance, Ms Prue Monument. She arrived from the federal public service with extensive experience in regulation and a strong focus on improving practices for consumer benefit. Following her appointment, Mr Rene van de Rijdt, who had been acting in the role, took up the new position of Deputy General Manager.

## Education and guidance

Providing resources to help subscribers understand and comply with their respective Code is fundamental to the work of the Code Team.

Sustained compliance with the Codes, and the positive outcomes that it achieves for consumers, is built on a clear understanding of the obligations and how they apply in practice. Education and guidance from the Code Team is the strong foundation for this.

The Code Team publishes a wide variety of resources that alert subscribers to specific issues of risk or concern and recommend ways of improving, including:

- reports on compliance
- operational guidance
- guidance on complying with provisions of the Code
- case studies highlighting good and bad behaviour
- findings and reports from inquiries
- determination notes
- articles.

Each Code, with its unique subscriber base, focuses its education and guidance on the needs of its subscribers and the consumers they serve.

In 2021-22, the Code Team produced a range of resources:

#### **BCCC:**

- Two reports on general compliance with the Banking Code (August 2021 and March 2022)
- The outcome of the BCCC ‘mystery shopping’ exercise that examined compliance with obligations for direct debit (September 2021)
- A report on compliance with the Code’s provisions for inclusivity, accessibility and vulnerability provisions (December 2021)
- Two guidance documents on good practice following investigations (June 2022)

These resources helped banks better understand crucial aspects of the Code and led to improvements in processes and practices that benefitted consumers.

#### **COBCCC:**

- ‘Learning by Example’ – a report examining a selection of self-reported breaches from subscribers (November 2021)
- A report looking at the data received from subscribers in their Annual Compliance Statements (March 2022)
- Two webinars on the new Code (May 2022)

These resources shone a light on issues subscribers had with Code compliance and allowed the industry to recognise areas for improvement. They also helped prepare subscribers for the new Code and its new provisions.

#### **GICCC:**

- A review report of vulnerability and financial hardship obligations (November 2021)
- Operational guidance on sanctions for breaches of the Code (December 2021)

These resources highlight the ways that subscribers should consider the crucial aspect of financial hardship and vulnerability when dealing with consumers. They provide guidance for subscribers to improve their processes and practices in this area.

#### **Life CCC:**

- Forty-one determinations that report on the outcomes of investigating alleged breaches of the Code
- A case study highlighting the obligation to issue a consumer with annual notice before the anniversary of a life insurance policy (May 2022)
- A case study highlighting the dangers of incorrectly interpreting the Code (June 2022)
- Three Guidance Notes on claims handling timeframes and the significant breach obligations of the Code (September 2021)
- The 2020–21 Annual Industry Data and Compliance Report (March 2022)

These resources provide subscribers with practical examples of certain issues with Code compliance. They provide insight into areas of concern and offer direction to subscribers in strengthening processes to comply with the Code.

#### **IBCCC:**

- Reports on the findings of two Own Motion Inquiries: the first on the importance of company culture (November 2021) and the second on the challenges the industry faced in 2020 (April 2022)
- A webinar on the new Code (October 2021)
- Four ‘Tip of the Month’ publications providing guidance on specific aspects of Code compliance

These resources highlight the importance of company culture for subscribers and offer advice on improving culture to meet obligations and provide better outcomes for consumers. They also clarify important aspects of the new Code and help subscribers understand the obligations brought on by new provisions.

## Inquiries

Undertaking inquiries allows the Code Team to identify areas of concern and recommend ways subscribers can improve their processes and practices.

An inquiry is a formal examination of a particular issue. It involves identifying the scale of the issue, its root causes and its effect on consumers. While inquiries may have different focuses across the Codes and take different forms, they all seek to help subscribers understand their obligations, identifying what is working well and where there is opportunity to improve.

The valuable lessons from inquiries inform the education and guidance that the Code Team provides to its respective Code subscribers.

In 2021–22, the Code Team undertook several inquiries:

### **BCCC**

- Banks' compliance with obligations for deceased estates began in 2021–22 and the outcomes will be published in late 2022

### **COBCCC**

- Vulnerability and how subscribers deal with issues concerning domestic and family violence and elder abuse

### **GICCC**

- Implementation of certain public-facing obligations in the Code

### **LifeCCC**

- Compliance with annual notice obligations in the Code
- Obligations for designing and introducing new life insurance policies began in 2021–22

### **IBCCC**

- The effect of company culture on compliance
- Response to the challenges of 2020

## Investigations

As monitoring compliance with the Codes is at the core of the work of the Code Team, investigations play a fundamental role.

An investigation may be initiated from different points an allegation from a consumer, a referral from AFCA, or a breach self-reported by a subscriber. The investigation may take one of several approaches, depending on multiple factors, including the nature of the allegation or breach, the industry from which it comes and the specifics of the Code obligations. This leads to a wide range in the sizes and scopes of investigations across the Codes.

Regardless of the approach, however, the aim of an investigation is consistent. It examines a potential or actual breach, recommends improved practices, identifies and issues sanctions for serious failures and reports publicly on our findings when appropriate.

In 2021–22, the Code Team undertook key investigations on a range of compliance matters. The BCCC completed two significant investigations that led to sanctions of formal warnings. For the COBCCC, this year included eight investigations. The GICCC opened 195 investigation matters and closed 184, of which it identified 64 Code breaches. The LifeCCC worked through 253 investigations, including significant breaches.

## Stakeholder engagement

It would not be possible for the Code Team to successfully achieve goals and fulfil its purpose without cooperation and collaboration from the industry, consumer groups, government agencies and regulators.

The Code Team engages regularly with several key stakeholders that provide knowledge, expertise, experience and support across the industries covered by the Codes.

It works closely with industry associations on a range of matters relevant to each Code. It collaborates on updates to Codes and their implementation, as we saw in 2021–22 with the IBCCC and COBCCC. The Code Team also engages with industry in setting priorities for its work.

In its monitoring of subscriber compliance with the Codes, the Code Team plays an important role in the broader consumer protection environment. Throughout the year, it worked closely with AFCA and ASIC on complaints and issues of regulation to avoid duplication and deliver the best outcomes for consumers.

The General Manager of Code Compliance, Prue Monument, is a member of the AFCA Consumer Advisory Panel and this puts the Code Team in a central position to collaborate and cooperate with a wide range of stakeholders in the financial services industry. The Code Team benefits greatly from this experience and the shared knowledge it facilitates.

The Code Team's engagement extended to other agencies and bodies in 2021–22. It worked with APRA, the Australian Reports and Analysis Centre (AUSTRAC) and the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) on a variety of matters across the Codes.

At the heart of the Code Team's engagement is a commitment to improvement. It consults with stakeholders regularly on specific issues of Code compliance and, in 2021–22, the Code Team ran an open consultation on the strategic priorities for the BCCC.

The Code Team will continue to value stakeholder engagement as it sets its priorities for the coming year and aims to improve compliance with all five Codes across the respective industries.

# 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 from these schemes were transferred to AFCA and were resolved.

In 2021–22, AFCA closed two CIO complaints. These complaints had been previously closed, but were subsequently reopened and again resolved. Both complaints were resolved by decision in favour of the consumer.

# Engagement, awareness and accessibility



# Engagement

Our principles of engagement are directly linked to our organisational 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. They range 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 proactive manner with financial firms to share insights and information that can help raise standards in the industry and improve practices.

AFCA also regularly engages with consumer advocates, including financial counsellors, community lawyers and financial capability workers.

Our stakeholders are important to us and give 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 information about AFCA and our service, including the types of complaints we consider, updates and the steps to lodge a complaint.

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 2021 to 30 June 2022, the AFCA website had 760,380 unique visitors and 3,224,821 total page views.

The most visited webpages were the AFCA home page, make a complaint page, make a complaint insurance page, members page, the process we follow page and the previous EDR scheme page.

## 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.

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.

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.

As at 30 June 2022, we had 2,588 Twitter followers, 3,096 Facebook page followers and 13,578 LinkedIn followers.

## 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.

Events included one-on-one meetings, forums, e-forums, virtual meetings 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.

Events AFCA attended and participated in included:

- Association of Independently Owned Financial Professionals' Conference
- Australian and New Zealand Ombudsman Association Conference
- Australian Banking Association Conference
- Australian Competition and Consumer Commission's Annual Consumer Congress
- Australian Finance Industry Association Risk Summit
- Australian Insurance Law Association's National Conference
- Australian Prudential Regulation Authority GRC2021 Annual Conference
- Broome CIRCLE's round table on financial issues facing remote Aboriginal communities
- Council of Small Business Organisations Australia's National Summit
- Financial Counselling Australia Conference 2022

- Financial Counsellors' Association of NSW Annual State Conference
- Financial Counsellors' Association of Queensland Annual State Conference
- Insurance Council of Australia's Virtual Insurance Panel
- Institute of Public Accountants National Congress 2021
- Professional Planner's Licensee Summit
- Self-Managed Super Funds Association Conference
- Sydney Mardi Gras Fair Day
- TAL Risk Academy Professional Year Community events
- World Consumer Rights Day 2022 Summit

## ICA events

AFCA attended 10 meetings (including one online) alongside the Insurance Council of Australia (ICA) and insurers for storm-impacted residents in Victoria, New South Wales and South-East Queensland throughout 2021–22.

The purpose of these meetings was to provide customers an opportunity to discuss the progress of their claim and work through any issues with their insurers. AFCA will continue to participate in these events as needed to ensure consumers are aware of AFCA, our services and their options.

## Consumer engagement

The community engagement team provides a solid platform for AFCA to listen to a diverse range of voices, ensuring we are meeting community expectations, and promoting accessibility and trust.

The team delivers AFCA's consumer engagement activities, including supporting our internal and external networks of trusted advisers who proactively inform us of issues, provide insights and contribute to our continuous improvement.

### AFCA Consumer Advisory Panel

The AFCA Consumer Advisory Panel (ACAP) is composed of 11 consumer representatives who meet quarterly 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 Torres Strait Islander peoples, culturally and linguistically diverse communities and people experiencing financial difficulty.

In 2021–22, topics discussed included:

- regulatory and environmental change impacts
- financial hardship and vulnerability
- responsible lending
- scams
- cryptocurrency
- banking and insurance issues.

### Consumer Advocate Liaison Meetings

Alongside AFCA's Consumer Advisory Panel, we also convene a larger community of practice through Consumer Advocate Liaison Meetings (CALM). CALM includes representatives from over 25 advocacy, financial counselling and community legal services. It provides us with a great opportunity to strengthen the pathway for trusted, two-way referrals and to ensure we are meeting community expectations.

Hosted by AFCA senior managers, CALM participants discuss our service delivery and share information about how we can improve the accessibility of our service and better support vulnerable people. In line with feedback we received from ACAP, there is an opportunity for AFCA to improve our service by providing tailored and flexible solutions that take a complainant's individual circumstances into account.

## 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.

### Member forums

AFCA member forums are a great opportunity for 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 2021–22, AFCA held two virtual member forums, and both had over 4,000 members register to participate. These forums included dedicated sessions on banking and finance, superannuation, life insurance, general insurance, and investments and advice.

### Member webinars

During the year we also held seven member webinars.

- The RG271 webinar was co-hosted by ASIC and aimed to inform members about the RG271 legislative updates and what those changes meant for AFCA members. This webinar reached over 5,000 members and saw high participation.
- The ‘Better complaint outcomes through communication’ webinar was targeted toward AFCA members who wanted to learn more about behaviour styles, communication and negotiation techniques. This webinar had over 2,000 engaged members and a 91% satisfaction score.
- As part of our consultation process for the new AFCA funding model, we also held five industry webinars that were attended by 1,200 members.

### 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.

### Member News

AFCA regularly publishes news about AFCA, external dispute resolution and the financial services industry on our member portal. Each month a newsletter digest of the latest news is sent to more than 35,000 subscribers.

**“You handled the complaint wonderfully. I was kept informed as the process progressed.”**

*- Feedback from a consumer*

# Awareness

AFCA has an obligation to the diverse community we service to ensure they are aware of Australia's financial ombudsman and that our services are accessible to all. AFCA has scoped a multi-year initiative that will:

- use demographic information, research and leverage relationships to promote our awareness strategy and community outreach activities
- design and create flexible ways to submit a complaint, provide information in different formats and uphold a positive reputation as an organisation that meets community expectations
- drive a culturally competent organisation
- build and maintain external relationships that can proactively inform us of issues, provide insights and contribute to ongoing enhancements to deliver exceptional customer service
- support and provide our people with the right tools, resources and training to effectively support our customers and the diverse community we serve.

In 2021–22, AFCA:

- developed a three-year awareness strategy and roadmap to set the foundations for a data-led multichannel awareness approach
- revitalised AFCA's website and publicity material to better communicate our purpose.

# Accessibility

AFCA is committed to providing a service that is accessible to everyone. 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 tailor the way we engage with our customers to meet diverse community needs.

AFCA customers can choose to:

- lodge their complaint over the phone
- lodge their complaint via our website or email
- communicate with us via an interpreter (including Auslan) or the National Relay Service
- request documents in large print, or to be translated into a language other than English
- nominate a preferred method of communication, such as email or post
- receive additional flexibility with our processes, such as extended timeframes to gather information
- nominate an authorised consumer representative, or receive a referral to a free financial counselling, community legal or other relevant consumer advocacy service.

There is no cost to our customers to engage with us, using any of the additional support services we provide.

In addition to the accessible services AFCA provides, in 2021–22 we:

- conducted a comprehensive workforce survey to benchmark awareness of AFCA's internal accessibility resources and identify areas for improvement
- designed and delivered tailored community resources, including closed captioned videos covering a range of topics (and in multiple languages), and a fact sheet in Easy English
- completed a review of AFCA's internal resources designed to support employees working with members of the community who are experiencing difficult circumstances, including domestic violence and financial abuse.

## Accessibility and Inclusion Network

AFCA's Accessibility and Inclusion Network was created to harness the deep experience, talent and passion of our people, above and beyond their day-to-day duties. It is composed of over 40 people committed to providing continuous improvement across three priority areas: Reconciliation, Mental Health and Pride.

The Network is sponsored by AFCA's Deputy Chief Ombudsman and governed by a Council of senior people who bring a strategic lens to initiatives and activities.

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

## Reflect Reconciliation Action Plan

As a national ombudsman scheme, we want to work with First Nations peoples in a culturally informed, respectful and empowering way.

AFCA's Reconciliation Group was formed in 2021, to create our first Reflect Reconciliation Action Plan (RAP), submitted to Reconciliation Australia in June 2022 to start the endorsement process.

Reflection is necessary for growth, and this work demonstrates the commitment all our people have towards creating an environment that supports greater economic and financial participation, and inclusion for First Nations peoples.

We are embracing the RAP journey with open hearts and minds, and we recognise and will be guided by the knowledge, wisdom and longevity of First Nations cultures, as we grow from this experience.

## Mental Health

Our Mental Health Group seeks to understand if people living with mental health conditions need additional support to engage with us to resolve their disputes.

In 2021–21 the Mental Health Group conducted over 50 in-depth interviews across the business to research and document the observations of our people working with customers who identified that they experience stress, anxiety, panic attacks, PTSD and a range of other mental health conditions.

Insights from these focus interviews were integrated into a proactive plan of action to change and improve the way we work with each other and vulnerable members of the community.

## Pride

Established early in AFCA's journey, the Ally Network promotes allyship and inclusion, and celebrates and supports LGBTQIA+ employees. The Network hosts social events that acknowledge important LGBTQIA+ milestones throughout the year, and members provide education opportunities for staff and answer questions on LGBTQIA+ related issues.

# 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 insights to improve practices.

In 2021–22, AFCA made written submissions, engaged with stakeholders and provided information and feedback on areas of reform and other matters including:

- the ‘Fintech Inquiry’ by the Senate Select Committee on Australia as a Technology and Financial Centre
- the review of the *Privacy Act 1988* (Cth)
- updates to complaint management standards and guidelines, including:
  - ASIC’s RG271 Internal Dispute Resolution
  - AS 10002:2022 Guidelines for complaint management in organisations
- the development of the Insurance Brokers Code of Practice 2022
- reforms discussed in the Issues Paper released in March 2022 for the Quality of Advice Review
- the review of the Life Insurance Code of Practice
- expansion of the Consumer Data Right regime
- proposals to reform the regulation of crypto assets outlined in the Consultation Paper released by Treasury in March 2022 ‘Crypto asset secondary service providers: Licensing and custody requirements’
- ASIC’s update to the ePayments Code, which took effect from 2 June 2022
- the Australian Law Reform Commission’s inquiry into simplification of financial services legislation
- the ACCC’s consultations relating to the Customer Owned Banking Code of Practice and arrangements to facilitate handling of Business Interruption insurance claims
- the Queensland State Government’s review of the response to floods in 2022
- the Treasury’s consultations on reforms to modernise business communications by enabling greater use of new technologies
- the review of the Privacy (Credit Reporting) Code 2014.

# Corporate information



# Our Board

AFCA is governed by a Board of Directors.

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

The Board exercises its powers to ensure the independence, integrity and fairness of AFCA's decision-making process is maintained. The Board also makes sure 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. AFCA's Company Secretary and the Independent Assessor are also appointed by the Board.

In 2021–22, the Board met five times, in accordance with its scheduled meetings.

**“Thank you again for your invaluable assistance through the time you have been involved in the complaint. You have always responded promptly and have been outstanding in the work you have done. ”**

*- Feedback from a member*

# Our people and culture

Our people are at the centre of everything we do. Our cultural qualities shape how we behave and how we engage with our customers, members and other stakeholders. Our People and Culture strategy ensures we remain focused on attracting the best talent in our sector, developing our people and supporting them to deliver a high-quality service, including during times of change and disruption.

## Culture

This year, AFCA developed our 'cultural story' as the result of conversations across the business and all levels of leadership to understand who we are, and where we want to be.

At AFCA, our culture is influenced by many things – our leadership, where we focus our efforts, our systems and processes. Yet the biggest factor is our people and who we employ, how we treat each other and our collective values.

Collectively, we bring a wide range of skills and technical experiences, as well as diverse backgrounds and varied life experiences. What unites us is our belief in the importance of AFCA's values and our desire for purposeful work that truly makes a difference.

Our people defined four cultural qualities – the behaviours required to enable us to live our values and realise our purpose.

### AFCA's cultural qualities

- Our approach is human-centred
- Our teams are empowered and take ownership
- Our passion for inclusion sets us apart
- Our ideas move us forward

## Commitment to flexibility and equality

This year, AFCA enhanced leave benefits to strengthen our commitment to flexibility and equality, and to reflect our culture story.

AFCA proudly announced increased paid parental leave and introduced superannuation payments for that leave, removed traditional references to primary and secondary caregivers, and increased flexibility to take parental leave within a two-year period, as well as paid leave for early pregnancy loss and gender affirmation.

These changes support our ongoing commitment to flexible working and equality, and are great examples of AFCA's culture of putting people at the centre of everything we do and living our commitment to inclusion.

## Our wellbeing approach

AFCA is responsible for creating a healthy and safe workplace that focuses on the wellbeing and productivity of everyone. As part of the Health, Safety and Wellbeing strategy, we have three wellbeing objectives: Prevention, Promotion and Support.

- **Promotion:** promote positive mental and physical health through programs and activities
- **Prevention:** prevent situations or events that can lead to harm
- **Support:** support and manage employees with mental health or physical challenges



**860** employees



**54%** of our leaders and 56% of our Board members are female



**13%** of employees work part-time



**36%** of employees were born outside of Australia



**43%** of employees identify as being culturally or linguistically diverse



**6.5%** of employees are people living with disability

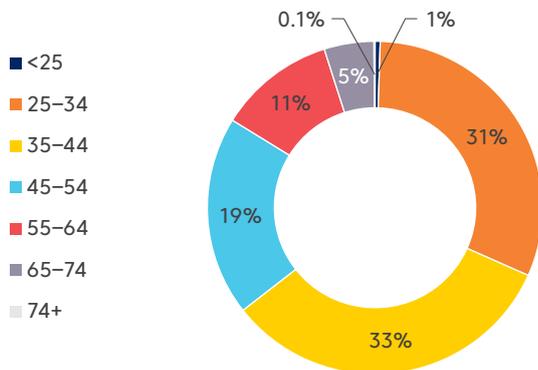


**0.1%** of employees identified as Aboriginal Australians and/or Torres Strait Islanders

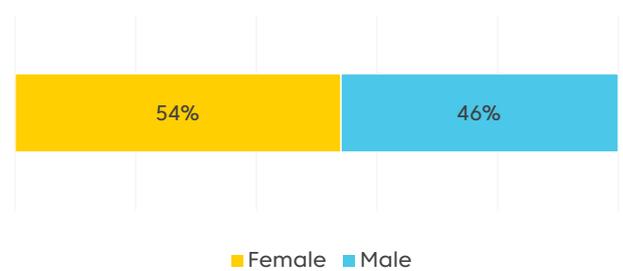


**11%** of employees identified as being part of the LGBTQIA+ community

### Age of employees



### Gender of employees



### Results of the AFCA Pulse Survey May 2022

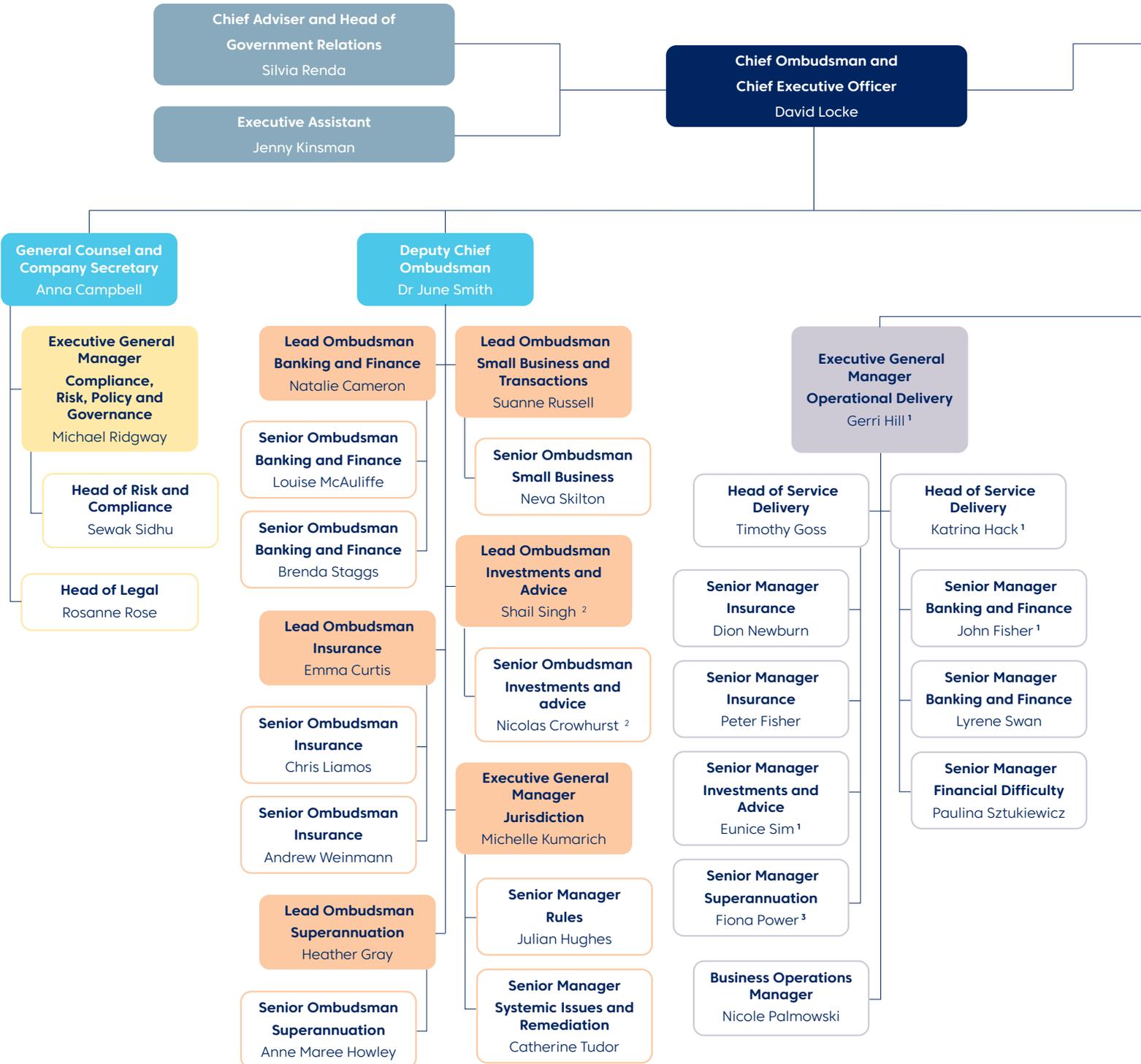
**88.9%** of employees are proud to work for AFCA

**80.7%** of employees think AFCA is a truly great place to work

**81%** of employees feel they belong at AFCA

# Organisational chart

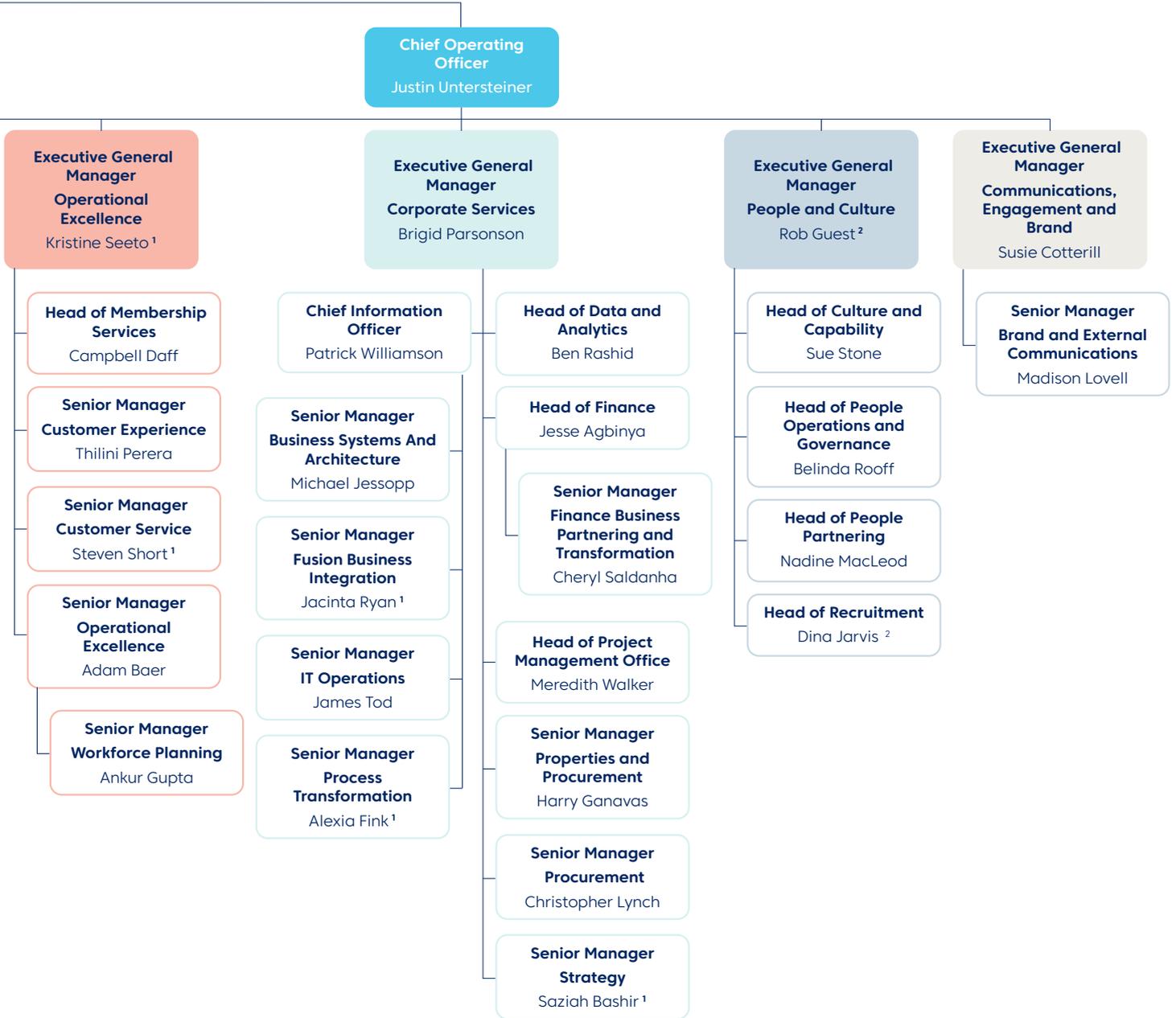
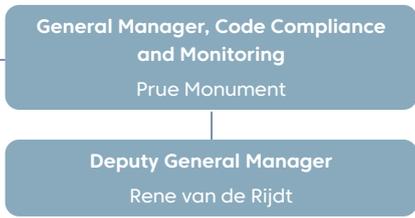
As at 30 September 2022



<sup>1</sup> Secondment

<sup>2</sup> Acting

<sup>3</sup> Commenced role after 30 September 2022



# Leaders

## AFCA Senior Leadership Group as at 30 September 2022

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
- **Prue Monument**  
General Manager, Code Compliance and Monitoring
- **Rene van de Rijdt**  
Deputy General Manager, Code Compliance and Monitoring
- **Silvia Renda**  
Chief Adviser and Head of Government Relations
- **Natalie Cameron**  
Lead Ombudsman – Banking and Finance
- **Suanne Russell**  
Lead Ombudsman – Small Business
- **Emma Curtis**  
Lead Ombudsman – General Insurance
- **Shail Singh**  
Acting Lead Ombudsman – Investments and Advice
- **Heather Gray**  
Lead Ombudsman – Superannuation
- **Gerri Hill**  
Executive General Manager – Operational Delivery
- **Rob Guest** (acting)  
Executive General Manager – People and Culture
- **Kristine Seeto** (acting)  
Executive General Manager – Operational Excellence
- **Michael Ridgway**  
Executive General Manager – Compliance, Risk, Policy and Compliance
- **Brigid Parsonson**  
Executive General Manager – Corporate Services
- **Susie Cotterill**  
Executive General Manager – Communications, Engagement and Brand
- **Michelle Kumarich**  
Executive General Manager – Jurisdiction

## AFCA Senior Leadership Group 2021–22 departures

- **Paul Kearney**  
Executive General Manager – People and Culture (concluded role on 15 August 2022)
- **Evelyn Halls**  
Lead Ombudsman – Banking and Finance (concluded role on 25 February 2022)
- **Diana Ennis**  
Executive General Manager – Operational Delivery (concluded role on 31 August 2022)

## Decision makers as at 30 September 2022

### Banking and Finance

#### Lead Ombudsman

- Natalie Cameron

#### Senior Ombudsman

- Louise McAuliffe
- Brenda Staggs

#### Ombudsmen

- Jesse Marshall
- Alan Price
- Larissa Shafir

#### Adjudicators

- Andrea Barker
- Carolyn Dea
- Terri Gladwell
- Elizabeth Johnson
- Christopher Siemers

### Small Business

#### Lead Ombudsman

- Suanne Russell

#### Senior Ombudsman

- Neva Skilton

#### Ombudsmen

- Geoffrey Bant
- David Brett
- Damyon Lill
- Wes Pan
- Sharan Safe
- James Taylor
- Susan Wan

#### Adjudicator

- Maxwell Pringle
- Diana Tchorbanov

### Insurance

#### Lead Ombudsman

- Emma Curtis

#### Senior Ombudsman

- Chris Liamos
- Andrew Weinmann

#### Ombudsmen

- Michael Brett Young
- Brydie Cook
- Qasim Gilani
- Timothy Griffiths
- Mark McCourt
- Radhika Mendis
- Helen Moye
- Donald O'Halloran
- Matthew O'Donoghue
- John Price
- Michael Schulze
- David Short

#### Adjudicators

- Moreen Attia
- Jerome Hew
- Daniel King
- Stephanie Kouvas

## Superannuation

### Lead Ombudsman

- Heather Gray

### Senior Ombudsman

- Anne Maree Howley

### Ombudsmen

- Jane Abbott
- April Blair
- Vicki Carter
- Louise Du Pre-Alba
- Justin Malbon
- Benjamin Norman
- Ragini Rajadurai
- Mervyn Silverstein
- Ben Taylor

### Adjudicator

- Senthur Kugathasan

## Investments and advice

### Lead Ombudsman

- Shail Singh (acting)

### Senior Ombudsman

- Nicolas Crowhurst (acting)

### Ombudsmen

- Michael Arnold
- Ian Donald
- Pascal Kasimba
- Craig Pudig
- Alexandra Sidoti

## Banking and Finance 2021–22 departures

### Ombudsmen

- Jennifer English (concluded role on 15 September 2022)

## Insurance 2021–22 departures

### Ombudsmen

- Vicki Mullen (concluded role on 8 April 2022)
- Christine McCarthy (concluded role on 29 June 2022)

### Adjudicators

- Rebecca Clark (concluded role on 30 November 2022)

# Feedback about our service

AFCA takes all feedback about our service seriously. While we are proud of the work we have achieved so far, we also acknowledge there are always opportunities to continue improving and enhancing our service.

AFCA welcomes feedback from consumers, complainants, their representatives and AFCA members via our online feedback form, email, phone or on social media. We use the information we receive from feedback and complaints about our service as part of our quality program and continuous improvement work.

In 2021–22, we received 172 compliments about our service through our formal complaints and feedback channel. We received many other compliments and positive feedback through other channels including our complainant surveys.

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

We received 942 complaints about our service in 2021–22. This was a 4% decrease on the previous year.

We resolved 980 service complaints in 2021–22, which was a 7% decrease on the previous year and reflected the lower number of complaints received.

Of the service complaints we investigated and finalised, 86% (1,881) of the service issues raised were not upheld or substantiated, with 14% of issues substantiated. This was consistent with the previous year.

During 2021–22, 208 service complaints were escalated and lodged with the Independent Assessor, representing 22% of the total service complaints received.

## Service issues

Issues raised in complaints about our service can relate to the time taken to deal with a complaint, our communication and how quickly we respond, our process, procedural fairness and what information we have considered when determining a complaint.

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

In 2021–22, the three most common issues raised in service complaints lodged were alleged bias in our process (14%), delay (12%) and failure to take into account relevant information in a determination we issued (8%). This was consistent with the previous year.

Of the 318 service issues that were upheld in 2021–22, most (67%) related to delays, how we kept parties informed of the complaint progress, or incorrect/insufficient information being provided.

Twenty-three issues about determinations we issued were upheld in 2021–22, representing 1% of all service complaint issues we dealt with. This was a decrease from the previous year.

No complaints alleging bias in a determination were upheld in 2021–22, consistent with the previous year.

## Outcomes and timeframes

The most common outcomes for service complaints upheld this year were apologies. In a small number of matters errors were corrected, or fees invoiced to an AFCA member were reduced or waived. Non-financial loss compensation was also offered and provided in relation to a small number of upheld service issues, mainly relating to delays.

We resolved 64% of service complaints within our timeframes, which was an improvement from the previous year (48%).

On average, we resolved a service complaint within 26 days, which was also a significant improvement from the previous year (57 days).

## Areas of focus and further improvements

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

Other key activities for our service complaints team this year have been contributing to the design requirements of our new case management system, and reviewing and enhancing our internal reporting and analytics.

### *Case study*

AFCA dealt with a complaint against a financial firm concerning several disputed credit card transactions. AFCA issued a determination in favour of the financial firm, finding the complainant had not established the transactions were unauthorised or not otherwise authorised by the complainant.

The complainant lodged a complaint about AFCA's service in which he complained AFCA had taken almost 12 months to finalise his financial firm complaint and issue the determination. The complainant raised concerns he had received poor service from AFCA generally during the complaint, including a lack of progress updates.

#### **Outcome and findings**

We investigated the complainant's service concerns and found the complaint had taken longer than our usual timeframes to progress. We found there had also been a service failing when the complaint had been re-allocated to a new AFCA case worker and the complainant was not advised of this or contacted by the new case worker for a period of almost six weeks.

We provided a written apology to the complainant regarding AFCA's service delays and communication gaps and offered a small amount of non-financial loss compensation for the distress and inconvenience caused by the service failings.

## Case study

AFCA dealt with a complaint about an insurer where the complainant said the insurer had not properly assessed their claim for storm damage to their home. AFCA's determination found the insurer was not liable to repair the roof of the property that had allowed water to ingress into the home. This was because the policy excluded wear and tear caused by progressive deterioration over time.

The complainant lodged a service complaint about AFCA as they were concerned that AFCA had not properly considered a report they had provided. The complainant believed the report proved the insurer had caused damage to their roof while completing make-safe works.

### Outcome and findings

Our service complaint investigation found the issue relating to the damaged part of the roof had not been fully outlined and addressed in AFCA's determination. AFCA took steps to correct this oversight in the determination and the insurer subsequently offered to replace the damaged section of the roof.



# Independent Assessor

## 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 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.

The role of Independent Assessor is held by Melissa Dwyer.

During the 2021–22 financial year, the Office of the Independent Assessor received 208 complaints about AFCA's and its predecessor schemes' handling of complaints.

## Nature of complaints received

The top five issues complainants raised were<sup>1</sup>:

1. failure to address key submissions/concerns
2. bias
3. poor quality advice/information provided
4. unreasonable delays in progressing a financial firm complaint
5. non-response to questions/information requested.

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

Eight complaints from financial firms were received compared to 13 received in 2020–21. Five of the complaints received from financial firms were outside Terms of Reference, including complaints about case fees and membership fees.

## Findings report from the Independent Assessor

A total of 194 complaints were closed during the financial year, with 59 assessments issued.

One hundred and twenty-nine complaints were closed because they were outside terms of reference to consider. Three complaints were withdrawn at the complainant's request and a further three were closed when the complainant did not respond to an information request or other correspondence.

<sup>1</sup> Complainants almost always raised more than one issue.

Complaints were outside the Independent Assessor’s 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).

Complaints falling 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 re-submitted if the complainant remains dissatisfied with the service received once the other processes are completed.

### Proportion of complaints closed as a result of assessment or outside terms-of-reference ruling

	2020–21	2021–22
Assessment	32% (61)	31% (59)
Closed as outside terms of reference/withdrawn/failure to respond	68% (131)	69% (135)

Examples of issues that were substantiated include:

- information and/or advice provided was of poor quality
- there were unreasonable delays in progressing a financial firm complaint
- there were delays in responding to an AFCA service complaint
- AFCA did not respond to a party’s questions/information requests
- AFCA did not respond to calls or correspondence.

### Recommendations

When a complaint is substantiated, the Independent Assessor 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 2021–22 financial year, the Independent Assessor recommended AFCA apologise to 29 complainants for service failings and pay a total of \$12,000 in non-financial compensation.

In addition, the Independent Assessor recommended AFCA take ‘other action’ in four cases. Other recommended actions included that AFCA consider and respond to unaddressed issues raised by a complainant, that AFCA provide a complainant with a written copy of a preliminary assessment and that a decision maker phone a complainant to further explain a decision. AFCA accepted and actioned all recommendations in full.

### Observations and Business Improvement Recommendations

As well as the recommendations made in response to individual complaints, the Independent Assessor may make business improvement recommendations to AFCA under clause 3 of the Independent Assessor Terms of Reference.

These recommendations are based on observations of recurring and/or significant issues and themes.

Themes the Independent Assessor saw in 2021–22:

- The level of service provided by AFCA is generally high (the Independent Assessor did not substantiate a single issue in 25 of the assessments issued in 2021–22 and, even when an assessment substantiates a complainant’s issues, it will include other issues that are not substantiated).

- AFCA does very well in handling both straightforward and complex complaints made by complainants with average situations.
- When a complainant's situation is not average, which might be anything from a need to communicate via Australia Post to living with mental illness, there is an increased risk of service failings. In some cases, a complainant may contribute to the service failings by their own conduct, including by being uncooperative and/or not engaging with AFCA in good faith. In other cases, AFCA failed to acknowledge the need for a more tailored approach early enough in its complaint handling.
- Over the past several years, AFCA has made considerable strides in addressing these issues, including by developing and promulgating its Engagement Charter, but there remains further opportunity for improvement.
- There is a continuing reluctance by decision makers to engage directly with complainants when post-determination issues or questions are first raised
- There is some confusion, inconsistency and extended timelines in managing reviews of AFCA's jurisdiction to consider complaints
- There are some delays and extended timeframes in dealing with complaints, particularly around allocating complaints to case workers and decision makers and obtaining internal specialist advice.

During the year, business improvement recommendations to AFCA by the Independent Assessor included that AFCA:

- review its jurisdictional review processes with a view to making the process more efficient and effective
- formulate and document a process for referring potential code breaches to the Code Compliance Committee
- clarify staff understanding of how to respond to members' queries regarding fees and/or who they should refer such queries to.

### Reporting

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

Business improvement recommendations are also reported to AFCA's Board, together with AFCA's responses to them. The Board monitors the implementation of any actions AFCA takes in response to the recommendations.

## Case study

### Background

A complainant lodged a complaint with the Independent Assessor about how AFCA handled their financial complaint. The complainant said he was not provided with the personal information entitled to him under the Privacy Act, despite repeated requests to AFCA.

The Independent Assessor investigated the service complaint and found there was confusion among AFCA staff about the application of the Privacy Act 1998 (Cth), there were no records maintained of what documentation was released in response to a privacy request, and that AFCA had no formal privacy request process.

Following the investigation, the Independent Assessor made three recommendations to AFCA:

1. AFCA should engage specialist expertise to review its obligations under the Privacy Act, its privacy processes and supporting material including AFCA Rules, privacy policy and privacy training, particularly regarding individuals' rights to their personal information
2. AFCA should ensure its privacy releases include reference to the Office of the Australian Information Commissioner (OAIC)
3. AFCA should maintain copies of all information released under the Privacy Act.

### Findings and outcomes

In response to the Independent Assessor's recommendations, AFCA established a privacy working group to update its existing key privacy requirements, created a template letter to be used to respond to access requests, and introduced a process to ensure all information released under the Privacy Act was properly stored.

AFCA also updated its privacy policy, privacy enterprise training, complaint forms and communications with complainants.

In addition to the changes made in response to these specific recommendations, AFCA implemented several other changes to improve privacy-related practices.

These include:

- engaging all AFCA staff in mandatory privacy training
- redacting tax file numbers and government related identifiers
- responding to access requests for information while a complaint is open
- increasing internal awareness about how complainants' consent should be managed
- increasing internal awareness of AFCA as an APP entity, the function of the AFCA Privacy team, and what issues should be referred to AFCA Privacy
- updating internal policies, guidelines and processes related to privacy, and
- creating a protected information policy and register to track information provided to AFCA as 'protected information'.

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

# 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.

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 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 company.

## 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
- 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 the Board will perform an evaluation on a regular basis.

### 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

Board structure as at 30 June 2022

### Independent Chair

#### Professor John Pollaers (Chair) – OAM MBA BA

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.

Professor Pollaers 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.

### Directors with consumer experience

#### Carmel Franklin – BEd Dip (Financial Counselling)

Carmel Franklin was appointed to the inaugural Board on 4 May 2018. She is a former consumer director of the Financial Ombudsman Service Limited.

Carmel has been the CEO of Care in the ACT for 14 years. She has been involved with consumer issues for a number of years, including as the Chair of ACT Gambling Harm Community of Practice, Co-Chair of ACT Anti-Poverty Week Committee, Member of the ATO Individual Stewardship Group, and as a board member on the ACT Gambling and Racing Commission.

She is a former member of the ASIC Consumer Advisory Panel as well as the FOS Consumer Liaison Group and, most recently, former Chair of Financial Counselling Australia, a position she held for 12 years.

#### Elissa Freeman – BA GAICD

Elissa Freeman was appointed to the inaugural Board on 4 May 2018. She is a former 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.

She is currently the Chair of Australian Energy Regulator Consultative Group, a member of Australian Energy Regulator Consumer Challenge Panel and a Director of Super Consumers Australia.

Elissa was previously Chair of the Financial Rights Legal Centre, a member of ASIC's Consumer Advisory Panel and a Director of the Financial Adviser Standards and Ethics Authority.

#### **Erin Turner – BA MPP GAICD**

Erin Turner was appointed a consumer director by the Minister for Revenue and Financial Services on 4 May 2018.

Erin is the CEO of the Consumer Policy Research Centre and the Chair of Financial Rights Legal Centre.

Previously she was the Director of Campaigns and Communications at CHOICE. She represents consumer interests on the ACCC Consumer Consultative Committee and has previously sat on the ACMA Consumer Consultative Forum and the ASIC Consumer Advisory Panel.

#### **Alan Wein – LLB PRI-Med-NMAS**

Alan Wein was appointed a consumer director by the Minister for Revenue and Financial Services on 4 May 2018 and retired from the Board on 30 June 2022. 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 of the inaugural Chair 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.

#### **Directors with industry experience**

#### **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 previously worked at the National Australia Bank, 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 Melbourne International Jazz Festival Board and the Melbourne Theatre Company Foundation Board. Previous directorships include Heide Museum of Modern Art (Chair) and St Vincent's & Mercy Private Hospital.

#### **Andrew Fairley – AM LLB (Melb) Hon Doc (Deakin) FAICD & FAIST**

Andrew Fairley AM was appointed an industry director by the Minister for Revenue and Financial Services on 4 May 2018. He is a Commercial and Equity Lawyer with over 40 years experience in Superannuation, and is a Consultant at Hall & Wilcox. He is the immediate past Chair of Equip Super, an industry fund with assets under management of over \$30b. He founded the Law Council of Australia's Superannuation Committee in 1985, and served as its Chair for 10 years.

Andrew is the Chair of Qualitas Limited, a leading Australian alternative real estate investment manager. He is the former Chair of Zoos Victoria, Parks Victoria, and a former Deputy Chair of Tourism Australia.

He is very involved in the philanthropic sector as Chair of the Sir Andrew Fairley Foundation and Deputy Chair of the Mornington Peninsula Foundation.

#### **Claire Mackay – BComLLB 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 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 and Ethical Standards Board. Her current appointments include the FPA Professional Standards and Conduct Committee, the RMIT School of Accounting Program Advisory 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 and retired from the Board 31 December 2021. 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 has 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 Schroders, Blackrock and Perpetual. She is also an Advisory Council member for Skyjedy, 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.

#### **Gary Dransfield**

Gary joined the AFCA Board on 1 January 2022 and has more than 37 years experience in the retail financial services sector, holding senior roles with Suncorp Group, IAG, Lend Lease, AMP and St George Bank.

He was most recently Chief Executive, Insurance, for Suncorp, having also been Chief Executive of its Customer Platforms and Personal Insurance units, as well as its Vero Insurance business in New Zealand. At St George, Gary played an integral role in the successful conversion of St George from a building society to a bank.

Gary is a former President and Chair of the Insurance Council of Australia, former President of the Insurance Council of New Zealand, and a former director of CareFlight NSW. He is currently a non-executive director with Hollard Insurance and Chair of the panel advising the NSW Government on the design of Decennial Liability Insurance for apartment buildings.

Gary is currently the Independent Chair of the Association of Superannuation Funds of Australia (ASFA).

## Company Secretary

### Anna Campbell - BA LLB

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 the Australian Securities Exchange (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 sector 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 Committee and People 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 2021–22.

### People and Remuneration Committee

	Actual Attendance	Eligible to Attend
J Darbyshire	4	4
E Freeman	4	4
C Mackay	4	4
A Wein	2	2

### Nominations Committee

	Actual Attendance	Eligible to Attend
J Pollaers	2	2
J Darbyshire	1	1
A Fairley	2	2
E Freeman	2	2
E Turner	1	1

### 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 external dispute

resolution

- human resource management (Directors who have experience and interests in human resource management and staff welfare).

During the year, the Board engaged PWC to assist in developing a Board Skills Matrix and the Board has performed a self-evaluation against the matrix to ensure the Board's skills are, and continue to be, relevant and up to date.

### 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, 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 appointed due to their expertise in industry (being financial services or superannuation) or in consumer advocacy and support relevant to AFCA, Directors are not appointed to represent constituent groups and each understands their legal obligation as a Director to put the best interests of AFCA first.

### 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 roles 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 2021–22.

### Audit and Risk Committee

	Actual Attendance	Eligible to Attend
G Dransfield	2	2
A Fairley	5	5
C Franklin	5	5
E Turner	5	5
J Turner	2	2

### CEO and CFO declarations

Prior to the Board approving the annual financial reports contained within AFCA's General Purpose Financial Report, the Board receives a declaration from the Chief Ombudsman and CEO, and Head of Finance that, in their opinion, the financial records have been properly maintained and 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. They also declared AFCA is solvent and compliant with its superannuation obligations.

### 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](http://afca.org.au)), by email ([info@afca.org.au](mailto: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 conducted 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 established by AFCA for its material risk are supported by quantifiable metrics. There is regular oversight and reporting of any metric 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 subject to the ASX Listing Rules and, as such, have no relevance to AFCA.

### Remuneration of non-executive Directors and executive Directors

All 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.

# 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 2021–22, AFCA published 4,070 decisions in which the financial firm was named.

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

# AFCA General Purpose Financial Report 2021–22



## Directors' Report

The Australian Financial Complaints Authority Limited ("AFCA") submits herewith the annual financial report of the company from 1 July 2021 to 30 June 2022, consistent with the provisions of the *Corporations Act 2001*.

## 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 139 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
- 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.

Director	Full Board		Audit and Risk Committee		Nominations Committee		People and Remuneration Committee	
	Actual	Eligible	Actual	Eligible	Actual	Eligible	Actual	Eligible
J Pollaers	5	5	-	-	2	2	-	-
J Darbyshire	5	5	-	-	1	1	4	4
G Dransfield	3	3	2	2	-	-	-	-
A Fairley	5	5	5	5	2	2	-	-
C Franklin	5	5	5	5	-	-	-	-
E Freeman	5	5	-	-	2	2	4	4
C Mackay	5	5	-	-	-	-	4	4
E Turner	5	5	5	5	1	1	-	-
J Turner	2	2	2	2	-	-	-	-
A Wein	5	5	-	-	-	-	2	2

## 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 10,456 active Financial Firms and 32,032 active Authorised Credit Representative members registered at 30 June 2022.

### Operating result

The net surplus/(deficit) for the year from 1 July 2021 to 30 June 2022 is (\$7,869,619) and total accumulated funds amount to \$28,517,111.

### Complaint numbers

AFCA received 72,358 complaints between 1 July 2021 and 30 June 2022, which is a 3% increase in monthly complaints compared to the last financial year (FY20–21). AFCA has received over 270,000 complaints since commencing on 1 November 2018.

In 2021–22, AFCA closed the last open FOS and CIO legacy cases.

### 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 1,927 complaints under this jurisdiction, as at 30 June 2022 there were 93 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 16,624 complaints relating to COVID-19 to the end of 30 June 2022.

### Subsequent Events

#### (a) New AFCA Funding Model

Since AFCA commenced handling complaints on 1 November 2018, it has been operating under an interim funding model that is a hybrid, based on aspects of the CIO and FOS scheme funding arrangements and the APRA levy model for superannuation trustees. The interim funding model was intended to remain in place for the first three years of AFCA operations (FY19 to FY21) while AFCA established an evidence base of complaint volumes and complexity in an expanded jurisdiction.

In late 2020, AFCA commenced its Funding Model Review to design and implement a long-term, sustainable funding model. Working with PwC, AFCA performed an extensive review and analysis of AFCA's operating cost base (including benchmarking), composition of complaints, modelling of member impacts and cross-subsidisation, future demand forecasting and research on funding models from comparative schemes globally to create a proposed design based on a 'user pays' principle.

From February 2022 through to May 2022, AFCA ran an extensive consultation process on the design which included meeting directly with over 60 firms and peak bodies, running webinars with over 1200 members, writing to 11,000 members with tailored information about the proposed model and individual impacts, and publishing information in member newsletter articles and on the AFCA website. AFCA received broad industry, government and consumer support on the proposed design.

The final Funding model approved by the AFCA Board which came into effect on 1 July 2022. The key features include:

- The removal of scaled membership and superannuation levy fees replaced with a flat annual registration fee of \$365.55 for Financial Firms and \$65.98 for Authorised Credit Representatives
- An increased proportion of fixed revenue allocated to the user charges and an increase to the eligibility threshold increased from two complaints to six complaints onwards to provide greater certainty moving to a true user pays system
- Simplified and reduced complaint fee structure to remove complexities and encourage early resolution of complaints
- Introduction of five free complaints applied to the first complaints closed from the beginning of the new AFCA financial year (1 July to 30 June) for all members

#### (b) COVID 19

As at 30 June 2022 the financial impacts of COVID-19 continue within the wider economy. Notwithstanding the current economic environment, COVID has directly impacted AFCA's operational performance in FY2021–22 due to unplanned illness and caring responsibilities of staff.

Uncertainty remains as to the short to medium outlook on the broader economy due to the emergence of new and fast spreading strains of COVID that continue to impact the operational performance of AFCA, its members and consumers.

#### (c) Macroeconomic conditions

The directors of the company acknowledge the challenging economic environment that persists including the substantial removal of fiscal support to support the economy during the pandemic and more recently ongoing increases in monetary support to curb rising inflation. As such events and conditions in the future may be materially different from those currently estimated at reporting date which may impact the company and its operations.

Other than the items identified herein, as at the end of the financial year and the date of this report, there has not arisen any other 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 2022, the maximum total members' contribution is \$4,248,800 if the company is wound up.

### Auditor's Independence Declaration

A copy of auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 152.

### Directors' Declaration

For the financial year ended 30 June 2022, the directors declare that:

- a) the financial statements and notes, as set out on pages 159 to 173, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards – Simplified Disclosure Requirements; and
  - b. give a true and fair view of the financial position as at 30 June 2022 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*.

On behalf of the directors



### Director

On behalf of the directors

Dated at Sydney this 1st day of September 2022



**Moore Australia Audit (VIC)**

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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF THE AUSTRALIAN FINANCIAL COMPLAINT AUTHORITY LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 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**

A handwritten signature in black ink, appearing to read 'Ryan Leemon', written over a light blue horizontal line.

**RYAN LEEMON**  
**Partner**  
**Audit and Assurance**

Melbourne, Victoria

1 September 2022

## **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 Ltd (the Company), which comprises the statement of financial position as at 30 June 2022, 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.

In our opinion:

- a. the financial report of the Australian Financial Complaints Authority 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 2022 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards – Simplified Disclosure 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 of the *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 for the year ended 30 June 2022 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 the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards – Simplified Disclosure 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.

### **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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

*Moore Australia*

**MOORE AUSTRALIA AUDIT (VIC)**

**ABN 16 847 721 257**



**RYAN LEEMON**

**Partner**

**Audit and Assurance**

Melbourne, Victoria

1 September 2022

## Statement of Profit or Loss and other comprehensive income for the year ended 30 June 2022

	Notes	Year ending 30 June 2022	Year ending 30 June 2021
Revenue	2	118,618,411	128,665,050
Employee benefits expense		(100,964,736)	(97,900,904)
Office costs		(652,766)	(1,027,677)
Communication and Stakeholder relations expenses		(634,728)	(1,076,073)
Interest expense on leases	6	(2,645,649)	(2,717,834)
Occupancy expenses		(3,007,675)	(3,710,066)
Board expenses		(991,056)	(747,695)
Impairment losses on financial assets		224,583	(1,284,910)
Insurance expenses		(165,474)	(156,839)
Professional assistance expenses		(5,297,880)	(3,633,751)
Depreciation and amortisation expense		(8,812,198)	(8,944,565)
Free decisions provided to members		-	(71,054)
Technology expenses		(3,422,443)	(3,809,030)
Other expenses		(119,509)	(112,299)
Surplus / (Deficit) before tax		(7,869,619)	3,472,353
Income tax expense		-	-
Surplus / (Deficit) for the period		(7,869,619)	3,472,353
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>(7,869,619)</b>	<b>3,472,353</b>

Notes to and forming part of the financial statements are included on pages 159 to 173.

## Statement of Financial Position as at 30 June 2022

	Notes	2022	2021
<b>Current Assets</b>			
Cash and cash equivalents	15 (i)	26,404,107	8,580,728
Trade receivables, prepayments and other debtors	3	23,227,882	26,211,262
Other financial assets	4	-	20,000,000
<b>Total Current Assets</b>		<b>49,631,988</b>	<b>54,791,990</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	5	5,425,699	6,208,638
Right of Use Assets	6	68,059,948	75,544,404
<b>Total Non-Current Assets</b>		<b>73,485,647</b>	<b>81,753,042</b>
<b>Total Assets</b>		<b>123,117,636</b>	<b>136,545,032</b>

	Notes	2022	2021
<b>Current Liabilities</b>			
Accounts payable and other payables	7	6,732,566	7,359,918
Lease Liabilities	8	5,395,451	4,911,495
Provisions	9	11,177,823	11,347,569
<b>Total Current Liabilities</b>		<b>23,305,841</b>	<b>23,618,981</b>
<b>Non-Current Liabilities</b>			
Lease Liabilities	8	67,511,769	72,907,220
Provisions	9	3,782,915	3,632,101
<b>Total Non-Current Liabilities</b>		<b>71,294,684</b>	<b>76,539,321</b>
<b>Total Liabilities</b>		<b>94,600,525</b>	<b>100,158,302</b>
<b>Net Assets</b>		<b>28,517,111</b>	<b>36,386,730</b>
Accumulated Funds	10	28,517,111	36,386,730
<b>Total Accumulated Funds</b>		<b>28,517,111</b>	<b>36,386,730</b>

Notes to and forming part of the financial statements are included on pages 159 to 173.

## Statement of Changes in Equity for the year ended 30 June 2022

2022	Notes	Equity from Previous EDR Schemes	Retained Earnings	Total
Balance as 1 July 2021		44,862,983	(8,476,253)	36,386,730
Deficit for the period		-	(7,869,619)	(7,869,619)
<b>Balance at 30 June 2022</b>		<b>44,862,983</b>	<b>(16,345,872)</b>	<b>(28,517,111)</b>

2021	Notes	Equity from Previous EDR Schemes	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
<b>Balance at 30 June 2021</b>		<b>44,862,983</b>	<b>(8,476,253)</b>	<b>36,386,730</b>

Notes to and forming part of the financial statements are included on pages 159 to 173.

# Statement of Cash Flows for the year ended 30 June 2022

	Notes	2022	2021
<b>Cash Flows from Operating Activities</b>			
Receipts from members and others		133,947,424	139,944,327
Interest received		73,155	135,795
Payments to suppliers and employees		(128,075,577)	(126,025,191)
Lease Interest		(2,645,649)	(2,717,834)
<b>Net cash provided by / (used in) operating activities</b>	<b>15 (ii)</b>	<b>3,299,353</b>	<b>11,337,097</b>
<b>Cash Flow from Investing Activities</b>			
Payment for property plant and equipment		(558,867)	(3,962,988)
Redemption / (Payment) for investments in term deposits		20,000,000	(20,000,000)
<b>Net cash provided by / (used in) investing activities</b>		<b>19,441,133</b>	<b>(23,962,988)</b>
<b>Cash Flow from Financing Activities</b>			
Payment of lease liability principal		(4,917,108)	(4,866,617)
<b>Net cash provided by / (used in) financing activities</b>		<b>(4,917,108)</b>	<b>(4,866,617)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>		<b>8,580,728</b>	<b>26,073,236</b>
<b>Net increase in cash and cash equivalents</b>		<b>17,823,379</b>	<b>(17,492,509)</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>15 (i)</b>	<b>26,404,107</b>	<b>8,580,728</b>

Notes to and forming part of the financial statements are included on pages 159 to 173.

# Notes to and forming part of the Financial Statements for the year ended 30 June 2022

## Note 1: Summary of Significant Accounting Policies

### General information

Australian Financial Complaints Authority Limited (the company or “AFCA”) is a company limited by guarantee, incorporated and operating in Australia.

From 1 August 2021, 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 are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures and the Corporations Act 2001.

### New and Amended Accounting Policies Adopted by the Company

#### *AASB 1060: General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*

The Company has adopted AASB 1060: General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities for the first time this reporting period. The Standard, which sets out a new separate disclosure Standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053: Application of Tiers of Australian Accounting, replaces the previous Reduced Disclosure Requirements framework. The adoption of this standard did not have a material impact on the Company’s financial statements.

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 1 September 2022.

### 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 are 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 which 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. As at 30 June 2022, AFCA received \$2,605,414 in grant revenue associated support arrangements with previous work relating to the Compensation Scheme of Last Resort.

##### **(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

#### *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 above, 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 (ie 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 3 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 which 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 which 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 which 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 judgements***

The directors evaluate estimates and judgements 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 Judgements**

#### ***Employee entitlements***

Management judgement 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 judgement 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	2022	2021
Complaint fees	83,278,581	96,435,275
Membership levies	27,504,358	27,337,971
Interest income	73,528	137,378
Government Grants	2,605,414	-
Code monitoring	5,156,531	4,618,189
Other sundry income	-	136,237
<b>Balance as at 30 June</b>	<b>118,618,411</b>	<b>128,665,050</b>

#### Note 3: Trade Receivables, Prepayments and Other Debtors

	2022	2021
Trade Receivables	16,421,879	16,498,890
Accrued income	10,423,753	13,492,490
Prepayments	2,157,365	2,195,860
Other Debtors	92,075	115,794
Provision for expected credit loss	(5,867,190)	(6,091,772)
<b>Balance as at 30 June</b>	<b>23,227,882</b>	<b>26,211,262</b>

#### Note 4: Other Financial Assets

There were no term deposits with a maturity of over 3 months recognised as held to maturity assets as at 30 June 2022 (2021: \$20,000,000).

## Note 5: Property, Plant and Equipment

2022	Plant and Equipment	Leasehold improvements	Work in Progress	Total
<b>Gross carrying amount</b>				
Opening Balance	3,859,477	7,041,716	87,300	11,254,511
Additions - at cost	558,867	-	-	558,867
Transfers	58,935	-	(58,935)	-
Disposals	(45)	-	-	-
Balance at 30 June 2022	4,477,278	7,041,716	28,365	11,547,359
<b>Accumulated Depreciation</b>				
Opening Balance	2,600,390	2,179,465	-	4,779,855
Disposals	-	-	-	-
Depreciation expense	846,213	495,593	-	1,341,805
Balance at 30 June 2022	3,631,148	2,756,530	-	6,121,660
<b>Book Value - 30 June 2022</b>	<b>1,030,676</b>	<b>4,366,658</b>	<b>28,365</b>	<b>5,425,699</b>

2021	Plant and Equipment	Leasehold improvements	Work in Progress	Total
<b>Gross carrying amount</b>				
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
<b>Accumulated Depreciation</b>				
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
<b>Book Value - 30 June 2021</b>	<b>1,259,087</b>	<b>4,862,251</b>	<b>87,300</b>	<b>6,208,381</b>

## 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 5 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	2022	2021
<b>AASB 16 amounts recognised in the Balance Sheet</b>		
Right of Use Asset - Building and Leasehold Fit out	83,806,715	83,806,715
Accumulated Amortisation	(15,746,767)	(8,262,311)
<b>Net Book Value</b>	<b>68,059,948</b>	<b>75,544,404</b>

Movement in carrying amounts	2022	2021
Opening Balance	75,544,404	12,753,883
Recognised on commencement of new leases	-	70,007,432
Amortisation expense	(7,484,456)	(7,216,911)
<b>Net Book Value</b>	<b>68,059,948</b>	<b>75,544,404</b>

AASB 16 related amounts recognised in the statement of profit or loss	2022	2021
Amortisation charge related to right-of-use assets	7,484,456	7,216,911
Interest expense on lease liabilities	2,645,649	2,717,834
Makegood interest expense	41,650	36,912
<b>Balance as at 30 June</b>	<b>10,171,755</b>	<b>9,971,657</b>

## Note 7: Accounts Payable and Other Payables

	2022	2021
Trade Payables and Accruals	3,535,227	4,371,480
Deferred Income	1,010,535	1,043,031
Amounts due to Australian Taxation Office	2,186,804	1,945,407
<b>Balance as at 30 June</b>	<b>6,732,566</b>	<b>7,359,918</b>

Trade payables consist of amounts owing for goods and services rendered which 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

	2022	2021
Lease Liability - AASB 16 Leases	5,395,451	4,911,495
<b>Balance as at 30 June</b>	<b>5,395,451</b>	<b>4,911,495</b>

### Lease liabilities - non-current

	2022	2021
Lease Liability - AASB 16 Leases	67,511,769	72,907,220
<b>Balance as at 30 June</b>	<b>67,511,769</b>	<b>72,907,220</b>

## Note 9: Provisions

### Provisions - Current

	2022	2021
Employee Benefits	11,177,823	11,347,568
<b>Balance as at 30 June</b>	<b>11,177,823</b>	<b>11,347,568</b>

### Provisions - Non-Current

	2022	2021
Employee Benefits	2,470,591	2,361,427
Makegood Provision	1,312,324	1,270,674
<b>Balance as at 30 June</b>	<b>3,782,915</b>	<b>3,632,101</b>

## Note 10: Accumulated Funds

	2022	2021
Opening Balance	36,386,730	32,914,376
Net Surplus/(Deficit) for the year	(7,869,619)	3,472,354
<b>Balance as at 30 June</b>	<b>28,517,111</b>	<b>36,386,730</b>

## Note 11: Remuneration of auditors

	2022	2021
(a) Auditing the Financial Report	48,500	46,500
(b) Other Audit Services	-	-
<b>Total Remuneration of auditors</b>	<b>48,500</b>	<b>46,500</b>

## Note 12: Contingent Assets

There are no contingent assets as at 30 June 2022.

## Note 13: Contingent Liabilities

There are no contingent liabilities as at 30 June 2022.

## Note 14: 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 2022, the maximum total members' contribution is \$4,248,800 (2021: \$4,076,000) if it was required by the company at winding-up.

## Note 15: 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	2022	2021
Cash at bank - unrestricted	9,636,272	3,810,304
Term deposits - maturity 3 months or less	15,000,000	3,002,589
Cash at bank - held against bank guarantees	1,767,835	1,767,835
<b>Balance as at 30 June</b>	<b>26,404,107</b>	<b>8,580,728</b>

(ii) Reconciliation of surplus/(deficit) for the period to net cash flows from operating activities		
Surplus / (Deficit) for the year	(7,869,619)	3,472,354
Depreciation and amortisation	8,812,198	8,944,564
Loss on sale of fixed assets	-	-
Provision for doubtful debts	(224,583)	775,921
Changes in net assets and liabilities:		
<b>(Increase)/decrease in assets:</b>		
Trade debtors	77,011	(565,942)
Other debtors and prepayments	3,150,630	(851,191)
<b>Increase/(decrease) in liabilities:</b>		
Trade creditors and accruals	(594,855)	(416,191)
Deferred income and income received in advance	(32,497)	142,963
Provisions	(18,932)	(165,381)
<b>Net cash from operating activities</b>	<b>3,299,353</b>	<b>11,337,097</b>

## Note 16: Financial Instruments Disclosure

### (a) Financial risk management objectives

The company's finance department provides services to the business, coordinates access to domestic financial markets, 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 and 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 17: 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	2022	2021
Short Term Employee Benefits	721,956	545,906
Post-Employment Benefits - Superannuation	73,207	51,522
<b>Total benefits</b>	<b>795,162</b>	<b>597,428</b>

Senior Management	2022	2021
Short Term Employee Benefits	4,964,313	4,152,658
Post-Employment Benefits including Superannuation	467,164	392,763
<b>Total benefits</b>	<b>5,431,477</b>	<b>4,545,421</b>

### Note 18: Related Party Disclosures

Key management personnel compensation is shown in Note 17. 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 19: Subsequent Events

#### (a) New AFCA Funding Model

Since AFCA commenced handling complaints on 1 November 2018, it has been operating under an interim funding model that is a hybrid, based on aspects of the CIO and FOS scheme funding arrangements and the APRA levy model for superannuation trustees. The interim funding model was intended to remain in place for the first three years of AFCA operations (FY19 to FY21) while AFCA established an evidence base of complaint volumes and complexity in an expanded jurisdiction.

In late 2020, AFCA commenced its Funding Model Review to design and implement a long-term, sustainable funding model. Working with PwC, AFCA performed an extensive review and analysis of AFCA's operating cost base (including benchmarking), composition of complaints, modelling of member impacts and cross-subsidisation, future demand forecasting and research on funding models from comparative schemes globally to create a proposed design based on a 'user pays' principle.

From February 2022 through to May 2022, AFCA ran an extensive consultation process on the design which included meeting directly with over 60 firms and peak bodies, running webinars with over 1200 members, writing to 11,000 members with tailored information about the proposed model and individual impacts, and publishing information in member newsletter articles and on the AFCA website. AFCA received broad industry, government and consumer support on the proposed design.

The final Funding model approved by the AFCA Board which came into effect on 1 July 2022. The key features include:

- The removal of scaled membership and superannuation levy fees replaced with a flat annual registration fee of \$365.55 for Financial Firms and \$65.98 for Authorised Credit Representatives
- An increased proportion of fixed revenue allocated to the user charges and an increase to the eligibility threshold increased from two complaints to six complaints onwards to provide greater certainty moving to a true user pays system
- Simplified and reduced complaint fee structure to remove complexities and encourage early resolution of complaints
- Introduction of five free complaints applied to the first complaints closed from the beginning of the new AFCA financial year (1 July to 30 June) for all members

#### (b) COVID 19

As at 30 June 2022 the financial impacts of COVID-19 continue within the wider economy. Notwithstanding the current economic environment, COVID has directly impacted AFCA's operational performance in FY2021/22 due to unplanned illness and caring responsibilities of staff.

Uncertainty remains as to the short to medium outlook on the broader economy due to the emergence of new and fast spreading strains of COVID that continue to impact the operational performance of AFCA, its members and consumers.

### (c) Macroeconomic environment

The directors of the company acknowledge the challenging economic environment that persists including the substantial removal of fiscal support to support the economy during the pandemic and more recently ongoing increases in monetary support to curb rising inflation. As such events and conditions in the future may be materially different from those currently estimated at reporting date which may impact the company and its operations.

Other than the items identified herein, as at the end of the financial year and the date of this report, there has not arisen any other 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.

# Appendix 1

## Independent Review recommendations

### Is AFCA resolving complaints in a fair, independent, efficient and timely manner?

Recommendation	Description
Recommendation 1	<p>AFCA should provide clearer guidance on the circumstances under which a further issue identified during the complaint process would revert to financial firms for consideration through internal dispute resolution.</p> <p>Where the issue is combined with an existing complaint, both parties should be provided with procedural fairness by having the opportunity to comment on changes to the scope of the complaint.</p> <p>However, in instances where AFCA finds parties inappropriately seeking to add new issues, it should take action to dismiss or curtail such behaviour.</p>
Recommendation 2	<p>In making its decisions, AFCA should consider what is 'fair in all the circumstances' having primary regard to the four factors identified in its Rules – legal principles, industry codes, good industry practice and previous decisions.</p>
Recommendation 3	<p>AFCA should not advocate for, nor act in a manner that otherwise advantages, one party such that the impartiality of the complaints resolution process is compromised.</p>
Recommendation 4	<p>AFCA should address poor conduct by paid advocates affecting the efficiency of the scheme, such as by amending its Rules to allow it to exclude certain paid advocates from involvement in the complaints process. The Government could also consider an amendment to AFCA's authorisation conditions to support such changes.</p>
Recommendation 5	<p>AFCA should:</p> <ul style="list-style-type: none"><li>• continue to publish data on its timeliness and start publishing data on the full range of complaints it resolves, including those that extend beyond 12 months</li><li>• better manage expectations around timeframes in its communications with parties to a complaint</li><li>• focus on improving the timeliness of complaints that remain unresolved beyond 12 months.</li></ul>
Recommendation 6	<p>AFCA should exclude complaints from sophisticated or professional investors, unless there is evidence that they have been incorrectly or inappropriately classified.</p>

## Funding and fee structures

Recommendation	Description
Recommendation 7	AFCA's funding model should not disincentivise financial firms from defending complaints that they consider do not have merit and should better take into account the circumstances of small financial firms.
Recommendation 8	AFCA should improve the transparency of its fees for financial firms and how the fees are being used to support AFCA's activities.

## Accountability

Recommendation	Description
Recommendation 9	<p>AFCA determinations should continue to not be subject to merits review, but the substance of a determination should be reviewable with respect to its application to future cases. To this end, AFCA should enhance the visibility, accessibility and independence of its existing forward-looking review mechanism.</p> <p>AFCA should amend its Operational Guidelines to remove the requirement for an applicant to demonstrate an error of law to access the formal forward-looking review mechanism. Applicants should be able to access it if they are able to demonstrate that the AFCA determination adopts an approach that could have a significant impact across a class of consumers, businesses or transactions.</p>
Recommendation 10	Complaints about AFCA's service should remain the responsibility of the Independent Assessor. AFCA should improve the Independent Assessor's visibility as part of its communications with parties to a complaint.
Recommendation 11	AFCA should ensure consultation is undertaken on each Approach Document prior to final publication.

## Other matters

Recommendation	Description
Recommendation 12	Where a systemic issue has been referred to ASIC or another regulator, AFCA should cease its investigation of the systemic issue. ASIC and other regulators should advise AFCA of the outcomes of the referrals they receive. However, AFCA should continue to resolve any relevant individual complaints.
Recommendation 13	AFCA should be more transparent in its public reporting of systemic issues, including on a de-identified basis as appropriate. This would encompass factors such as the industry to which the systemic issues relate, the nature of the complaints, the number of affected consumers, total value of remediation and reporting to the regulators.
Recommendation 14	<i>The National Consumer Credit Protection Act 2009</i> (Cth) should be amended to no longer require authorised credit representatives to be members of AFCA.

# Glossary

## 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.
Business Interruption	Insurance cover that is designed to cover a business should something happen that causes the company to be unable to operate.
Commercial property	Insurance that provides cover for commercial/farm buildings, which may include fences.
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 saving 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.
Electronic banking	Transactions carried out via internet banking and telephone banking.
Foreign exchange	Cash or other claims (for example, bank deposits and bonds) against 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.

Product	Definition
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.
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.
Loss of profits	Insurance cover that is designed to cover a business should something happen that causes the company to be unable to operate.
Merchant facilities	Facility offered by financial firms to businesses to accept payment in forms other than cash (e.g. EFTPOS, credit cards). 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.

Product	Definition
Pension	<p><b>Account-based pension</b></p> <p>An account-based pension (also called an allocated pension) is one of a number of concessionally taxed 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><b>Lifetime pension</b></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><b>Transition to retirement pension</b></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.
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.

Product	Definition
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 roll over 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"> <li>1. Registrable Superannuation Entities (RSEs) that are regulated by APRA</li> <li>2. Self-managed superannuation funds regulated by the ATO</li> <li>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.</li> </ol> <p>APRA-regulated RSE licensees are generally classified into four types:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>
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.
Whole of life	A life insurance policy guaranteed to stay in force for the duration of the insured's life, provided premiums are paid.

## 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"> <li>• inappropriate cancellation of an insurance policy</li> <li>• policy cancellation without the authority of the complainant.</li> </ul>
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"> <li>• a request for assistance, such as a repayment variation, is declined and no offer is made by the financial firm</li> <li>• the financial firm has not provided reasons for its decision to decline a request for assistance.</li> </ul>
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"> <li>• redemption requests actioned only after the unit price has dropped</li> <li>• renewal notices not issued on time</li> <li>• insurance cover not arranged on time</li> <li>• delay in clearing a cheque</li> <li>• loan approval delay</li> <li>• settlement delay.</li> </ul>

Issue	Definition
Delay in claim handling	<p>The financial firm has delayed actioning or processing a complainant's claim. For example:</p> <ul style="list-style-type: none"> <li>• delay in handling an insurance claim</li> <li>• delay in processing a chargeback request or EFT claim.</li> </ul>
Denial of claim	<p>The financial firm has denied the complainant's claim. For example:</p> <ul style="list-style-type: none"> <li>• the denial of a claim for insurance benefits</li> <li>• an unsuccessful request for a cardholder chargeback</li> <li>• a disputed merchant chargeback</li> <li>• a PayPal buyer/seller complaint.</li> </ul>
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"> <li>• damage caused by an event, such as a flood, and the event is excluded under an insurance policy</li> <li>• 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.</li> </ul>
Denial of claim – no proof of loss	<p>The financial firm denies an insurance claim on the basis that the complainant failed to establish loss has occurred that is covered under the policy, or failure to establish ownership of goods that were lost/damaged.</p>
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"> <li>• breach of contract (written or oral)</li> <li>• failure to follow written instructions (e.g. direct debit authority not followed, payee name on cheque ignored, internet banking instructions not followed)</li> <li>• non-redemption following request, failure to sell stock, failure to buy or sell a financial product when requested to do so</li> <li>• insurance cover not arranged, including renewals</li> <li>• insurance policy not cancelled</li> <li>• sum insured not increased, or change of vehicle not noted on the contract.</li> </ul>
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>

Issue	Definition
Inappropriate advice	<p>Inappropriate or insufficient financial advice provided. For example:</p> <ul style="list-style-type: none"> <li>• inappropriate product or investment strategy advice</li> <li>• inappropriate client advice</li> <li>• general financial advice provided when personal advice was needed.</li> </ul>
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"> <li>• fees/costs not charged in accordance with disclosed information</li> <li>• fees/costs excessive, inappropriate or wrong.</li> </ul>
Incorrect premiums	<p>Incorrect premium charged by the financial firm. For example:</p> <ul style="list-style-type: none"> <li>• the financial firm has charged the complainant the wrong amount of premium for the insurance provided</li> <li>• the broker has charged the client the wrong amount of premiums for the insurance provided.</li> </ul>
Interpretation of product terms and conditions	<p>The complainant does not agree with the financial firm's interpretation of the terms and conditions of a product or service. For example:</p> <ul style="list-style-type: none"> <li>• disagreement about a definition</li> <li>• disagreement about the interpretation of another term or condition.</li> </ul> <p>NB: if the complaint concerns the denial of an insurance claim use the most appropriate "Denial of claim" classification.</p>
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"> <li>• 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.</li> </ul> <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"> <li>• where the sender entered a wrong account number or BSB</li> <li>• where an error by the sending or receiving financial firm has resulted in the payment being sent to the wrong account.</li> </ul>
Repayment history information	<p>The financial firm has incorrectly placed repayment history information on a credit file</p>

Issue	Definition
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"> <li>• the financial firm continues or commences legal proceedings</li> <li>• 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).</li> </ul>
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"> <li>• staff behaviour</li> <li>• other service issues.</li> </ul>
Unauthorised transaction	<p>Unauthorised transactions performed on a complainant's account. For example:</p> <ul style="list-style-type: none"> <li>• unauthorised direct debit</li> <li>• forged cheques and withdrawal slips</li> <li>• stolen card ATM withdrawals</li> <li>• credit card transactions not authorised by the cardholder</li> <li>• purchase or sale of investments without written or verbal authority to do so</li> <li>• an insurance claim paid to someone other than the insured and/or a refund provided to another party.</li> </ul>
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"> <li>• not allowing enough time to consider a contract</li> <li>• requiring someone to sign a blank agreement.</li> </ul>

## Acronym glossary

Acronym	Definition	Description
ACAP	AFCA Consumer Advisory Panel	A panel of 11 consumer representatives who meet quarterly with AFCA's Senior Leadership Group.
ACBF	Aboriginal Community Benefit Fund	Also known as the Youpla Group.
ACR	Authorised credit representatives	Individuals authorised to engage in specified credit activities on behalf of a credit licensee.
APP	Australian Privacy Principals	An APP entity is an agency or organisation that must comply with the <i>Privacy Act 1988</i> (Cth).
APRA	Australian Prudential Regulation Authority	An independent statutory authority that supervises institutions across banking, insurance and superannuation, and is accountable to the Australian Parliament.
ASBFEO	Australian Small Business and Family Enterprise Ombudsman	An independent advocate for small business owners.
ASFA	The Association of Superannuation Funds of Australia	The peak policy, research and advocacy body for Australia's superannuation industry.
ASIC	Australian Securities & Investments Commission	Australia's corporate, markets and financial services regulator.
ASX	Australian Securities Exchange	Australia's primary stock exchange.
ATO	Australian Taxation Office	The principal revenue collection agency of the Australian Government.
AUSTRAC	Australian Transaction Reports and Analysis Centre	The Australian Government agency responsible for detecting, deterring and disrupting criminal abuse of the financial system to protect the community from serious and organised crime.
BCCC	Banking Code Compliance Committee	The committee that monitors adherence to the Banking Code of Practice to help banks drive best practice.
BNPL	Buy now pay later	A payment service where customers pay by instalments over time, instead of paying the full amount upfront.
CALM	Consumer advocate liaison meetings	Meetings with representatives from over 25 advocacy, financial counselling, and community legal services hosted by AFCA senior managers.
CIO	Credit and Investments Ombudsman	A predecessor ombudsman scheme replaced by AFCA in 2018.

Acronym	Definition	Description
CLC	Community legal centres	Independent non-government organisations that provide free legal services to people and communities, particularly to people facing economic hardship and discrimination.
COBCCC	Customer Owned Banking Code Compliance Committee	The committee that monitors compliance with the Customer Owned Banking Code of Practice, identifies system industry-wide issues and promotes good industry practice.
CSLR	Compensation Scheme of Last Resort	A proposed scheme that will provide compensation to eligible victims of financial misconduct who have not been paid, typically because the financial institution involved in the misconduct has become insolvent.
EDR	External dispute resolution	A free, independent service for resolving disputes between consumers and financial firms. AFCA is an EDR scheme.
FOS	Financial Ombudsman Service	A predecessor ombudsman scheme replaced by AFCA in 2018.
FPA	Financial Planning Association of Australia	An Australian professional association for financial planners.
FSP	Financial service providers	Organisations that provide banking, loans, money transfers and financial options to customers.
GICGC	General Insurance Code Governance Committee	The independent body that monitors and enforces insurers' compliance with the General Insurance Code of Practice.
IBCCC	Insurance Brokers Code Compliance Committee	The committee that monitors adherence to the Insurance Brokers Code of Practice to help insurance brokers deliver high-quality service standards to consumers.
ICA	Insurance Council of Australia	The representative body for the general insurance industry.
IDR	Internal dispute resolution	The process followed by financial firms to resolve complaints from their customers, as set out by RG271.
LifeCCC	Life Insurance Code Compliance Committee	The committee that monitors adherence to the Life Insurance Code of Practice to help insurers deliver high-quality service standards to consumers.
NCC	National Credit Code	The National Credit Code is a national consumer protection regime that replaced the previous state-based schemes and the Uniform Consumer Credit Code on 1 July 2010. It offers protections to individuals who are borrowing money from institutional lenders for non-business purposes.
NCCP Act	<i>National Consumer Credit Protection Act 2009 (Cth)</i>	The National Consumer Credit Protection Act 2009 sets out obligations for responsible lending.

Acronym	Definition	Description
OAIC	Office of the Australian Information Commissioner	The independent national regulator for privacy and freedom of information.
PDS	Product disclosure statement	A document that financial service providers must provide to you when they recommend or offer a financial product. It must include information about the product's key features, fees, commissions, benefits, risks and the complaints handling procedure.
SCT	Superannuation Complaints Tribunal	A predecessor ombudsman scheme replaced by AFCA in 2018.







## Contact us

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Complaints Authority

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