Australian Financial Complaints Authority

2022–23

# Annual Review

# Acknowledgement of country

The Australian Financial Complaints Authority (AFCA) acknowledges the Traditional Custodians of this land and we pay our respects to Elders past, present and future – for they hold the song lines, 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 are steadfast in our support for substantive constitutional change, to drive a fair and truthful relationship between our first sovereign Nations and the people of Australia.

We make this commitment through our Reconciliation Action Plan (RAP) and encourage our people and our community to do the same, based on the principles of Voice, Treaty and Truth. You can find out more about our Reconciliation Action Plan on page 134.

AFCA provides all Australians with fair, free and independent complaint resolution.

# About this Annual Review

This Annual Review of the Australian Financial Complaints Authority (AFCA) details our operations and performance between 1 July 2022 and 30 June 2023.

The Review outlines how we have met our strategic priorities, purpose and vision, and our challenges over the financial year.

Unless otherwise stated, complaints data in this Review relates to complaints AFCA received during the 2022–23 financial year.

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

The 2022–23 AFCA Datacube shows complaints data about AFCA members and provides some of the information required under ASIC Regulatory Guide 267. Find out more at **data.afca.org.au**.

Read this Annual Review online at **afca.org.au/annualreview.**

Published October 2023.

### About the artwork

In recognition of our Reflect RAP, AFCA commissioned artwork by Edwin Lee Mulligan for our Melbourne and Sydney offices. The artwork is symbolic for our people and is a constant reminder of our reconciliation journey.

Edwin named the artwork *Ngalimba*, meaning loving energy: finding strength to help others. At AFCA, we walk alongside people from different backgrounds to ensure fair outcomes to financial disputes.

“This painting is about the first time I saw my Grandfather’s Country. Walking this Country, I realised each step represented each passing day. This work is about finding your inner strength to walk with others,” Edwin said.

# Contents

# Year at a glance

## Complaints

**96,987**
complaints received.
Up 34% on 2021–22

**86,185**
complaints closed.
Up 21% on 2021–22

The average time to close a complaint was
**69 days**[1]

**28,824**
open cases.
Up 62% on 2021–22

**$253,809,943**
in compensation was awarded to consumers through AFCA's dispute resolution processes

### Complaints received by product line[2]

**53,638**
Banking and finance

**27,924**
General insurance

**6,957**
Superannuation

**4,840**
Investments and advice

**1,898**
Life insurance

Not yet determined: **1,712**    Non-rules: **40**

### Complaints closed by product line[2]

**49,056**
Banking and finance

**25,570**
General insurance

**6,142**
Superannuation

**2,257**
Investments and advice

**1,468**
Life insurance

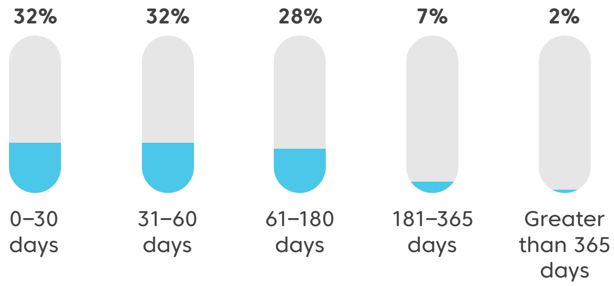
1 Average number of days the complaint was active.
2 Complaints may belong to more than one product type.

**4,849** complaints about financial difficulty received

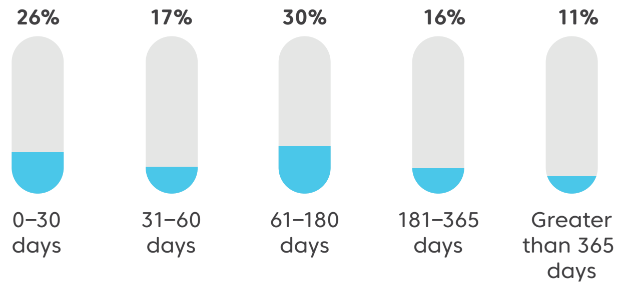
**3,807** small business complaints received

**7,443** complaints excluded due to being outside AFCA's jurisdiction

### Average time taken to close complaints




### Open cases by age




**3,701** small business complaints closed

**4,434** financial difficulty complaints closed

### Complaints resolved before determination

| | Total |
|---|---|
| Total | 81,953 |
| Resolved by agreement or in favour of complainant [1] | 76% |
| Resolved in favour of financial firm | 2% |
| Outside Rules/Terms of Reference | 9% |
| Discontinued/withdrawn | 12% |
| By assessment | 1% |

### Determinations

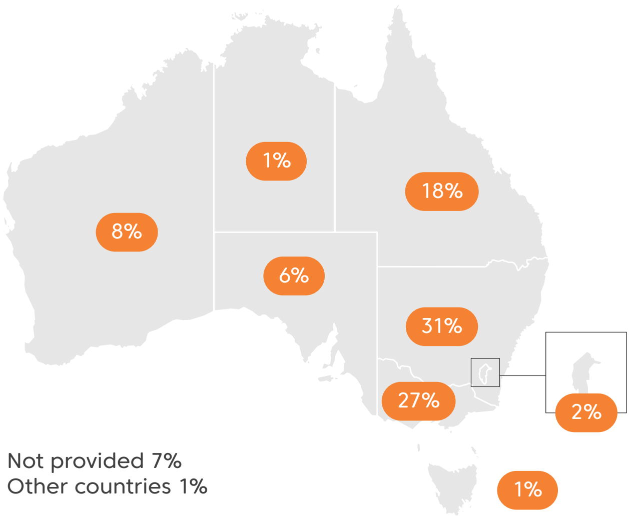
| | Total |
|---|---|
| Total | 4,232 |
| Found in favour of complainant | 28% |
| Found in favour of financial firm | 72% |

[1] This includes complaints resolved through Conciliation, Negotiation, Preliminary Assessment, or resolved by the financial firm

# Year at a glance (continued)

## Complainants

### Complaints received by state and territory




Not provided 7%
Other countries 1%

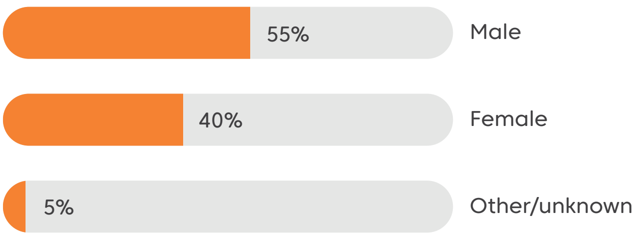
### Top 10 languages (other than English) in which interpreters were requested

| Language |
|---|
| Mandarin |
| Taiwanese |
| Arabic |
| Cantonese |
| Vietnamese |
| Korean |
| Persian (Farsi) |
| Hindi |
| Punjabi |
| Spanish |

**2,523** complainants identified as First Nations peoples

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

### Gender of complainants



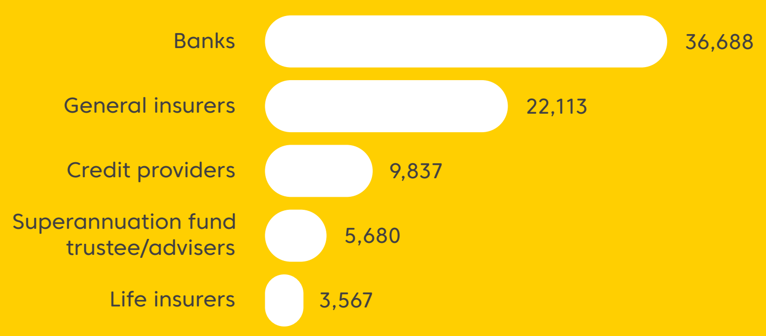

**9%** of complainants had a representative

## Members

**44,958** members

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

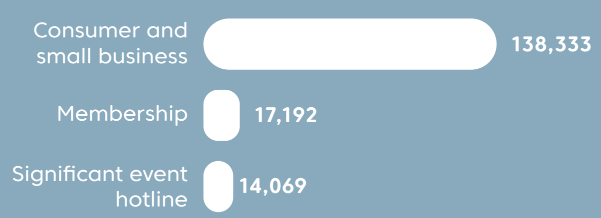
### Top five member types with the most complaints




## Customer service

**169,594** calls to our phone lines

### Calls to our phone lines




Average wait time for calls
**258 seconds**

Our service was provided in **72** languages other than English

**29,381** online live chats

**78%** of complaints were lodged online

## Systemic issues

Identification and investigation of systemic issues resulting in remediation to **378,830** consumers

**$100,528,522.35** in refunds made to consumers

**1,042** potential systemic issues identified

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

**105** systemic issues reported to regulators

**94** systemic issues resolved with financial firms

**58** serious contraventions of the law and other breaches [1]

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

[1] Reported under section1052E(1)-(3) of the *Corporations Act 2001* (Cth)

"I wanted to take a moment to express my sincere gratitude for the wonderful site visit and collaboration you recently had with our organisation. Your openness to visit our office and engage in meaningful discussions about our shared goals left a lasting impression on our end."

*- Feedback from a member*

# Board Chair message

It has been a landmark year for AFCA and the financial services industry. In 2022–23, we saw a record number of complaints, driven largely by delays in insurance claim handling, mounting financial pressures on consumers, and the ongoing scourge of serious financial crime and scams. We also saw the introduction of significant consumer protections, including the Australian Government's move to regulate buy now pay later (BNPL), an overhaul of laws to govern 'payday' lending, the establishment of the National Anti-Scam Centre and the introduction of a Compensation Scheme of Last Resort (CSLR).

## Compensation Scheme of Last Resort

In June, we were delighted to welcome the passage of legislation that established the CSLR – a scheme AFCA and our predecessors have consistently advocated for, and that was a recommendation of the Hayne Royal Commission. The CSLR strengthens protections for Australian consumers and, in turn, builds trust in our financial services sector and dispute resolution system.

The CSLR will facilitate payments of up to $150,000 to eligible consumers who have an unpaid AFCA determination that awarded compensation for complaints in personal financial advice, credit intermediation, securities dealing and credit provision.

We are pleased for those eligible under the legislation to lodge CSLR claims, but also acknowledge that those who don't qualify will be disappointed. More information about the CSLR and its scope can be found on page 35.

## Record complaints

In 2022 –23, we received 96,987 complaints from consumers and small businesses, which was more than 8,000 a month on average. This was a big jump from 6,000 monthly complaints in 2021–22 and just over 5,800 in 2020–21. We resolved 86,185 complaints and awarded $253.8 million in compensation and refunds to consumers and small businesses.

We also identified more than 1,000 potential systemic issues and reported 105 systemic issues to federal regulators, delivering an additional $100 million in refunds to 378,830 consumers.

## Insurance complaint volumes and delays

There was a 50% increase in general insurance complaints to AFCA this year. Many of these cases could have been resolved before they reached the external dispute resolution (EDR) phase and avoided AFCA altogether. Insurance complaints progressing to Case Management from Registration and Referral also grew by 52%, meaning more complaints required an AFCA investigation.

While AFCA acknowledges that external pressures, such as the South East Queensland and northern NSW floods with accompanying supply chain problems and labour shortages, played a role, the consistent influx of insurance complaints over the year points to broader systemic challenges. A significant number (89%) of general insurance complaints were not directly linked to such events.

As natural disasters increase, insurers must strike a balance between unforeseen challenges to daily operations and the way they deal with customers. We urge the insurance sector to do more to improve both their internal dispute resolution practices and customer communications.

## AFCA's response to delays in our process

To help us cope with increased complaint volumes and poorer firm performance, we have made strategic changes, including enhancing our technology and reallocating resources. We now group similar complaints and have improved how we assign unresolved complaints to our case workers, and update people on their complaint's progress.

Our team's dedication and these improvements have seen average resolution times this financial year drop to 69 days, slightly better than 72 days last year. Aged cases remain minimal at 0.9%.

The large increase in complaints has nevertheless put significant pressure on AFCA's resources. While we have made some headway to improve timeliness, we acknowledge that many complainants are still experiencing delays. We will continue to monitor complaint queues closely, as we investigate and implement new initiatives to support early resolution.

## Financial crime and scams

This year, we had more complaints about personal transaction accounts than credit cards. This was a significant shift since credit cards have been the most common complaint product since AFCA commenced. The change was influenced, in part, by a 46% rise in serious financial crime and scam-related complaints, now averaging more than 500 a month – 6,048 for the year.

The human misery caused by financial scams is something we witness daily. While some banks have taken positive steps to protect consumers, not enough is being done, and there is no consistency in approaches. Consumers continue to bear the bulk of the losses from this financial crime, yet the level of sophistication and complexity of scams makes it very difficult for people to protect themselves from this activity.

We applaud the Government's initiative in setting up the National Anti-Scam Centre and we support strong mandatory and enforceable codes for banks, telecommunications companies and digital platforms. We also believe that a code governing superannuation funds is necessary. AFCA believes there is a pressing need for strong, uniform protections for consumers.

## Hardship, mortgage cliff and other credit types

In the latter part of the year, AFCA saw a significant rise in complaints caused by the financial stress of rising interest rates and living costs. While the number of financial difficulty complaints to AFCA was just 9% higher than in the previous full year, cost-of-living pressures became increasingly evident in the final quarter of 2022–23, when hardship complaints were up 31% compared with the same period last year.

Home loan, credit card and BNPL complaints also spiked toward the year's end, as people sought alternative lines of credit to navigate stretched budgets.

We urge banks and other financial institutions to remain proactive in identifying and assisting customers under financial strain. We are pleased to see the banking and finance sector continue to resolve complaints early, despite increased volumes.

## Engaging with industry

It is part of AFCA's vision to improve practices and minimise disputes. The Board and I are deeply committed to sharing ACFA's insights and data to help achieve this. Building and maintaining meaningful relationships with a wide array of partners is vital. It not only ensures we can encourage better practices, but it helps inform positive changes.

We interact both with our direct stakeholders, and others in different industries and across international borders. This includes exchanging experiences to fortify Australia's dispute resolution framework and engaging with other ombudsman schemes (see following section).

Our commitment to dialogue and understanding our stakeholders' challenges is evident in our regular interactions with the Boards of significant institutions such as major banks and insurers. Through these conversations, we share observations and discuss challenges like scams and rising complaints.

Our collaboration extends to co-chairing important industry discussions. For instance, we co-hosted a roundtable with the Insurance Council of Australia. Senior executives of leading insurers and representatives from regulatory bodies such as the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA), focused on surging general insurance complaints. Together, we can find sustainable solutions.

## Engaging globally

We have also connected with ombudsman schemes across the world, including the UK, Singapore, South Africa and Canada, to gain insights into their IT transformations and to ensure we know about best practices that AFCA can apply.

Our international engagement has a focus on the rising issue of scams. We have collaborated with international ombudsman schemes, such as the UK's Financial Ombudsman and Singapore's Financial Industry Disputes Resolution Centre, to deepen our understanding of this issue.

Our CEO, David Locke, addressed the Reserve Bank of India's Ombudsman Conference in Jodhpur last October. ACFA also met with the Central Bank of Uzbekistan, which is considering establishing its own financial ombudsman scheme. We proudly shared the story of AFCA's inception and operational model.

## Engaging government

Over the year, AFCA shared vital complaints data and insights with the Government, spotlighting challenges faced by consumers and financial firms. This included routine discussions with Parliamentary Committees, regulators, Treasury and other Government Departments.

We also briefed ministers and other members of Parliament on complaints relevant to their communities, emphasising natural disasters and significant events.

## Engaging consumer groups

We continued our regular Consumer Advisory Panel and Consumer Advocate liaison meetings. By bringing together leaders and representatives from advocacy, financial counselling and community legal services, we keep in touch with the concerns and needs of our diverse community.

## Our business and IT transformation

AFCA is undergoing a major business and IT overhaul. We're transitioning away from legacy case management systems to state-of-the-art integrated technologies and processes. Soon we'll introduce three new systems: one for AFCA case management, plus a consumer portal for complainants and their representatives, and another for our financial firm members. Automation will help us streamline operations, elevate our team's experience and offer members, consumers and small businesses the advantage of self-service tools, as well as real-time information and insights.

## Our commitment to reconciliation

In response to the Uluru Statement from the Heart, AFCA stands by Australia's First Nations peoples in pursuing a constitutionally enshrined Voice.

AFCA's commitment to reconciliation is at the core of our mission as a national ombudsman scheme. We aim to provide First Nations peoples with empowering, culturally respectful, informed, adaptable and accessible services. We acknowledge the significance of oral storytelling and are working to ensure the voices of First Nations peoples are heard on financial matters.

In December, we introduced our Reflect Reconciliation Action Plan (RAP). It outlines actions we have committed to over the past year, such as instilling a deeper understanding of First Nations peoples' cultures throughout AFCA; fostering stronger, respectful relationships and improving opportunities for First Nations peoples.

## Looking ahead and thank you

Thank you to AFCA's diligent employees, led by our dedicated CEO and leadership team.
I deeply appreciate your commitment and the approachable, supportive and equitable service you all provide.

The Board's guidance has also been instrumental in AFCA's success, and I thank everyone for their contribution. This year, we farewelled Alan Wein and Elissa Freeman and welcomed Delia Rickard and Gerard Brody.

The year ahead brings great promise. In April 2024, the CSLR is scheduled to open for applications. Although entrusted to us by the Australian Government to set up the CSLR company, it will stand as a separate independent entity, governed by its own board. We are also excited about the service improvements our IT transformation project will bring.

I offer another heartfelt thank you to every team member who shaped AFCA's remarkable year. We look forward to more challenges and triumphs in the year ahead.

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

# Chief Executive Officer and Chief Ombudsman message

This year was the busiest in AFCA's history, with 34% more complaints received than last year. It is less than five years since AFCA started on 1 November 2018, and we have already resolved over 370,000 complaints. This work has resulted in $1.15 billion in compensation awarded to consumers and small businesses (as at September 2023).

This year, along with our crucial 'business as usual' work we've been:

- progressing our business and IT transformation project, designed to boost response times and improve member and consumer experiences
- expanding our community outreach and stakeholder engagement program to ensure a more inclusive service
- responding to Treasury's Independent Review recommendations
- embedding AFCA's internal culture.

Despite a very demanding 2022–23, I am proud of AFCA's achievements.

## Customer service

AFCA is committed to delivering fair, efficient and timely services. When an individual or business comes to us with a complaint or dispute, the process should be as seamless and simple as possible.

Our business and IT transformation project has been redesigning all of AFCA's processes to achieve this. We're on track to deliver a new consumer portal in 2023–24, offering a streamlined, intuitive interface for lodging and tracking complaints. We will also deliver a new member portal and integrated case management system, speeding up dispute resolution for our financial firm members. Developed around best practices, these platforms will offer our people, consumers and members a more streamlined, user-friendly automated complaint handling process. They will be in use early next year.

Activity grew across all AFCA channels in 2022–23:

- Our consumer and small business phone line fielded 138,333 calls, up 16%.
- Calls to our membership line rose 15%, totalling 17,192.
- The significant event hotline experienced a 76% increase with 14,069 calls.
- We saw a 39% uptake in online live chats, totalling 29,381 sessions.
- Demand for interpreter services grew 54% to 1,376 (72 languages).
- Use of our online complaint form surged 78%, with 75,481 complaints lodged.

## Awareness and accessibility

AFCA has a duty to meet the needs of the diverse communities we serve. Every Australian should know about their financial ombudsman and how to access our services. We are dedicated to creating a customer experience that is culturally sensitive, respectful, inclusive and flexible. Our services must be safe and equitable, and information offered in multiple languages across varying formats.

This year marked the second year of our three-year awareness strategy, involving an 'always-on' approach across traditional, digital and social media channels. We focused on supplying resources to vulnerable communities and individuals facing financial hardship or dealing with the impacts of natural disasters.

During 2022–23 we:

- expanded our Community Engagement team to deliver on our accessibility framework and improve its resources
- launched the AFCA Peer Support Network pilot program, offering specialised training in trauma-informed practice and support for survivors of domestic violence
- entered the next phase of our reconciliation journey with the launch of our 'Reflect' Reconciliation Action Plan.

# Community outreach

We have significantly expanded our community outreach program and sought to reach communities and customers less likely to be aware of our services. We strived to connect with and support disadvantaged and vulnerable groups, including:

- Aboriginal and Torres Strait Islander communities
- culturally and linguistically diverse communities
- people living with disabilities
- newly settled migrants
- older Australians who may be victims of financial elder abuse
- survivors of family and domestic violence
- communities affected by natural disasters.

Our dedication to ongoing community engagement has fostered valued relationships with the consumer sector. This includes consumer advocates directly involved in both internal and external dispute resolution, such as:

- financial counselling services, including financial capability workers
- community legal centres specialising in consumer credit law
- generalist community legal centres
- legal aid services providing civil advice, disaster relief and other assistance.

This year, we attended and presented at Financial Counselling Australia conferences across Australia. We were also part of First Nations community events including the Yabun Festival, Warangesda Festival and the Miriwoong Forum. We visited Thursday Island to learn about issues affecting the local community, such as scams and BNPL schemes, and explored ways to make AFCA services more accessible there.

# Independent Review

The Independent Review of AFCA undertaken by Treasury (reported November 2021) assessed our effectiveness in resolving complaints in a fair, efficient, timely and independent manner. The review reflected positively on our operations and made 14 recommendations – 13 to AFCA and one to government. This year we continued to work on implementing the recommendations to AFCA, successfully completing four in the 2022 calendar year, with an additional two to be completed by the end of 2023. We continue to make progress against all other recommendations.

### Rules consultation

In the eight weeks between 27 March and 22 May 2023, AFCA ran a stakeholder consultation process on proposed changes to our Rules and Operational Guidelines. We sought to address recommendations from the Independent Review that required Rules changes to implement, and add other amendments to keep the Guidelines accurate and up to date, while also making AFCA's jurisdiction and processes clearer.

As one of the most substantial external consultations AFCA has undertaken, I am proud of how well it was received by our stakeholders. Subject to approvals from the AFCA Board and Australian Securities and Investments Commission (ASIC), the proposed new Rules and Operational Guidelines will commence on 1 July 2024.

### Systemic issues

This year, in line with our ongoing response to Recommendation 13, which promotes the transparency of systemic issues in public reporting, we launched the first and second editions of the AFCA Systemic Issues Insights Reports. These reports uphold our commitment to being open and offering consumers, members and stakeholders a look into key systemic issues across the industry. They include recent data and findings to assist financial firms in improving their practices.

### Reviewing our approach documents

Our approach documents provide clarity on how we handle common issues and complaint types, and detail our investigation procedures and decision-making processes. This year, we consulted on our 'Approach to Claims for Non-Financial Loss' and published our 'Approach to Motor Vehicle Total Loss Complaints'.

We developed two new banking and finance documents – 'AFCA's Responsible Lending Approach' and 'Appropriate Lending to Small Business Approach'. Consultation on these began in July 2023.

## Our people

### Culture

Understanding that culture is integral to executing any successful strategy, we asked our people what they believe constitutes the essence of AFCA's culture. The consensus was clear: we are fundamentally in the business of people. This perspective underpins our 'People for Purpose' culture. The commitment embraces our team, customers, the broader Australian community, consumers, small businesses and members alike.

We received a number of awards this year acknowledging our culture and the work of our people and culture team. We were delighted to be recognised as one of the top five best places to work in Australia's financial services sector in the 2023 AFR BOSS Best Places to Work rankings. We were also awarded Bronze Tier Status in the Australian Workplace Equality Index (AWEI). AWEI is a national standard for LGBTQ+ inclusion awarded by Pride in Diversity under ACON.

In addition, AFCA was accredited as a family friendly workplace in 2023. This significant achievement recognises AFCA's commitment to delivering equality, inclusivity and wellbeing outcomes for our employees and their families, by working within a framework and set of National Work and Family Standards developed by UNICEF.

### Diversity, inclusion and belonging

We champion diversity, encourage inclusivity and cultivate a sense of belonging. In March 2023, we proudly unveiled our Diversity, Inclusion, and Belonging Strategy at special in-person events in Melbourne and Sydney. The strategy, alongside a detailed three-year action plan, sets out our priorities across four pillars:

1. Inclusive systems and processes
2. Leadership capability
3. Diverse thinking teams
4. Governance and accountability

Our focus is on refining our policies, recruitment, promotion and messaging.

We have established three new employee resource groups for family and carers, people from culturally and linguistically diverse backgrounds, and people living with a disability. These are in addition to AFCA's existing Ally Network.

By valuing the different backgrounds and perspectives of our people, we enhance our collective strength to drive better outcomes for the customers and communities we serve.

### Wellbeing

Our vision is to create a safe, productive work environment with a positive culture that supports our people's health, safety and wellbeing. Accordingly, our Health, Safety and Wellbeing Strategy is built on these core objectives:

- Promotion: Actively promote mental and physical health.
- Prevention: Aim to prevent harmful situations.
- Support: Support team members facing mental or physical challenges.

### An engaged team

We want our people to feel, and be, included, respected and empowered to learn, grow and lead. We run an annual Insight Employee Experience survey, usually in October. A shorter Employee Pulse survey (completed by 93% of staff in April) captures how we're tracking. The 85% engagement score was our highest ever and reaffirms our commitment to an open, diverse and flexible work environment.

### Better ways of working

As a knowledge-based organisation, we want to make sure everyone has a shared understanding of what needs to be done. We've been working towards a central, reliable, up-to-date information source to improve our operational efficiency, consistency and predictability in decision-making. Last financial year, we launched a new intranet and designed our Knowledge Centre to replace our traditional resource libraries. In 2023 –24, we will shift our entire business operations to the new Knowledge Centre.

## Thank you

I'd like to thank AFCA's Chair and Board for their support and diligent performance in their governance role. To our dedicated staff, whose commitment to fairness and justice drives our service, again thank you. Your relentless efforts, despite increased workloads, have upheld our responsibilities to the Australian community and financial sector.

I was delighted to be re-appointed this year for a second 5-year term as Chief Ombudsman and CEO of AFCA, as we continue to build a world-class ombudsman service.

As 2023–24 begins, I am excited to stay on this journey, again driven by the AFCA team's professionalism and passion. The future will continue to present challenges such as rising interest rates, cost-of-living challenges, escalating scams and financial crime, reinforcing the need for AFCA's services. Our work continues.

**David Locke**
Chief Executive Officer and Chief Ombudsman

# Organisational overview

# About AFCA

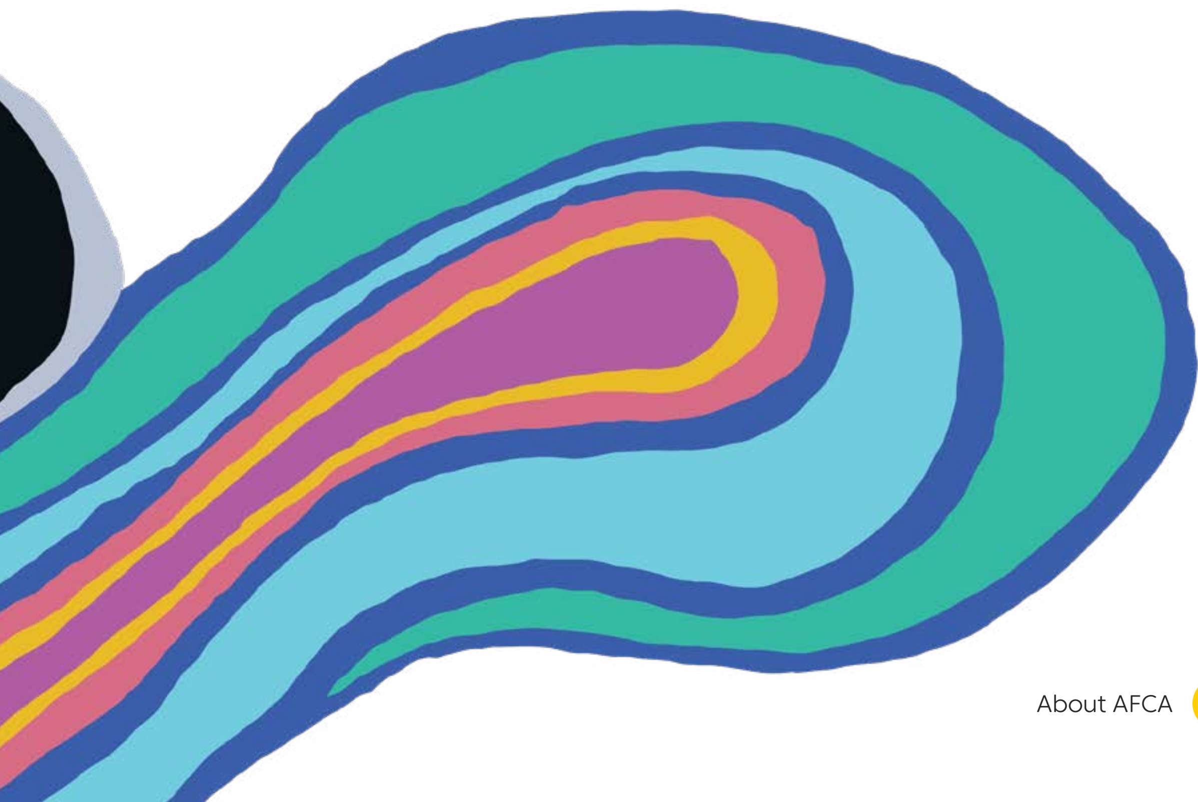
AFCA's purpose is to provide fair, independent and effective solutions for financial disputes.

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.

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

**"The process was very fair and easy to understand. I found it to be a very comfortable format that allowed me to open up about my situation without pressure."**

*- Feedback from a consumer*

## 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**

# Delivering on our strategy

## Progress in 2022–23

We are in the second year of our three-year plan and have achieved key outcomes against our strategic themes. Our dedication to fair, unbiased and efficient financial dispute resolutions, coupled with our customer-focused approach, ensures our ongoing success.

### Customer service

**Our simple, tailored and accessible services offer great member, consumer and small business experiences.**

We want to set the benchmark for external dispute resolution (EDR) service in Australia. We're focused on being helpful with prompt, fair resolutions. Our streamlined model is customised and simple, easy to access alongside a robust complaint management process aimed at reducing conflict.

AFCA's achievements against our strategy this year included:

- handling 138,333 phone calls to our dedicated consumer line, 17,192 membership line calls, and 14,069 significant event hotline calls, with an average wait time of 4.3 minutes. A total of 53,904 calls, or 35%, were answered within two minutes
- 29,381+ live chats on our website
- a 69% customer satisfaction rate
- an 82% member satisfaction rate, up by 5% from last year
- multiple initiatives to improve the customer/member experience, including updating AFCA's survey platform for real-time feedback and enabling instant customer engagement to address complaint concerns
- helping with 1,376 interpreter service requests, covering 72 languages
- successfully launching AFCA's inaugural Reflect Reconciliation Action Plan. This vital roadmap will forge authentic and significant connections with First Nations peoples, communities and businesses via culturally sensitive and easily accessible services.

### Efficiency

**We will design our services for efficiency through the proactive, streamlined and timely resolution of complaints. We're always striving to be more efficient and improve our core services, to create more satisfied complainants, members and a happier AFCA team.**

In 2022–23 we:

- closed 86,185 complaints, 21% more than in the previous year
- reduced the average time to resolve a complaint from 72 days (2021–22) to 69 days
- reduced overall complaints sitting with AFCA for more than 365 days from 2.4% in the previous year to 0.9% [1]
- implemented new initiatives and methods to manage a significant increase in complaints and complaint queues, ensuring continued delivery of excellent services to our customers and members. This included actively recruiting and reassigning staff to high-impact product areas, introducing a pilot program for a temporary workforce, batching complaints that lend themselves to being resolved by one defined approach, and investing in technology solutions to improve timeliness and communication
- saw positive results from the first year of AFCA's 'user-pays' funding model, which achieved its aims for a fit-for-purpose, simplified model that is fairer, more sustainable and efficient, and that supports early resolution of complaints. More information on the funding model outcomes can be found on pages 29 –31.

[1] Aged cases exclude paused complaints, complaints relating to test cases, batched complaints and cases subject to external litigation.

# 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.**

AFCA contributes to and benefits the broader community in two ways:

1. We provide independent, fair and effective dispute resolution.
2. We improve practices and minimise financial services sector disputes.

But we can't do it alone. We are continuing to develop strong, meaningful relationships with consumer and industry bodies, regulators, government and other key external stakeholders to inform, change and improve practices.

In 2022–23, we:

- significantly increased engagement with consumers, members and industry bodies through conferences, forums and community engagement activities across Australia (see more about Stakeholder Engagement on pages 125 –130)
- engaged with several international ombudsman schemes in relation to risks and opportunities in the regulatory environment (including about scams)
- completed one of the largest external consultations related to AFCA's Rules and Operational Guidelines in response to the 2021 Independent Review. This consultation included over 30 individual external meetings, webinars (over 1,100 attendees) and a new webpage (over 2,200 hits during the consultation period)
- held two online Member Forums for financial firm members to hear from our Lead Ombudsmen and decision makers about complaint trends and issues. These were each attended by approximately 4,000 members.
- commenced publication of a bi-annual Systemic Issues Insights Report, sharing data and findings about industry-wide systemic issues cases, which help financial firms improve industry practice
- increased consumer awareness about AFCA from 25% to 34%
- received 859,303 unique visitors and 3,710,853 hits on AFCA's website.

# Data and technology

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

We aim to be an EDR industry leader in the use of data and technology. To achieve this requires effective technology and sophisticated use of data to enable decision making, drive efficiency and influence dispute resolution.

Data and technology are key enablers of our organisation's agility and innovation. In the past year, we have focused on providing an enriched digital experience and helpful insights for our customers and our people. We have done this through data and integrated enterprise systems that are streamlined and supported by flexible and secure infrastructure.

In 2022–23, we:

- successfully completed the design and build of AFCA's new case management system and customer portals. These will provide a better experience for all users and more transparency and dependability about the timing of case management
- applied modern data and reporting efficiencies as part of AFCA's initiative to improve the identification and investigation of systemic issues (find out more about our systemic issues work on page 115 –118)
- implemented improvements and upgrades to our internal systems, including knowledge management and supporting finance systems, as part of our IT transformation to enhance the user experience for staff and customers
- significantly enhanced AFCA's IT security capability to ensure continued protection of our data, systems, networks and digital assets from cyber threats and risks.

# Our people experience

**We will actively strive to make AFCA a truly great place to work.**

Our people are at the heart of everything we do. We have a clear strategic goal to have highly skilled and engaged staff equipped with the tools they need to deliver high-quality outcomes for the diverse community we serve.

In 2022–23, we:

- developed and launched AFCA's Diversity, Inclusion and Belonging Strategy, which emphasises AFCA's commitment to inclusion and accessibility for employees, customers and members
- were certified as a Family Friendly Workplace through our partnership with Parents at Work, which benchmarks AFCA and certifies us according to 'National Work + Family Standards'
- achieved the highest overall employee engagement score of 85% in our April Employee Pulse survey, up from 80% in the previous survey in October 2022
- continued a strong focus on wellbeing, with 88% of our people agreeing AFCA is a great place to work. This is up from 80% in the previous year's survey, demonstrating AFCA's commitment to our employees and their wellbeing
- matured and elevated AFCA's approach to the development of our people and leadership capability, by developing new fit-for-purpose learning, capability and leadership development programs across all levels of our organisation
- focused on enterprise recognition of our people, designing and launching our new program Above and Beyond, a recognition program for staff aligning to the four cultural qualities.

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

- AFCA was named in the top five best workplaces in the Banking, Superannuation and Financial Services Industry category in the *Financial Review*'s BOSS Best Places to Work list. AFCA placed at number five, and was credited for its culture, engagement and flexible working arrangements.
- John Price, former Lead Ombudsman, received a prestigious Lifetime Achievement Award at the 32nd Annual Society of Consumer Affairs Professionals (SOCAP) Australia International Symposium.
- Justin Untersteiner, AFCA's Chief Operating Officer, was runner-up for Not-For-Profit Executive of the Year at CEO Magazine's 2022 Executive of the Year awards.
- At the 2022 PRIA Golden Target Awards, AFCA's Communications, Engagement and Brand team won the Silver award for Consumer Campaign – Services, and a Bronze award for Integrated Marketing Communication Campaign for the awareness-raising campaign, 'That's what AFCA does.'
- Saziah Bashir, Strategy Manager, was nominated for the Rising Star Award at the 2022 Industry Excellence Awards, at SOCAP Australia International Symposium.

# Our members

## About AFCA membership

Many Australian financial services licensees, Australian credit licensees, authorised credit representatives (ACRs) and superannuation trustees are required to be a member of the Australian Financial Complaints Authority (AFCA) under their licence conditions. Other firms have joined AFCA voluntarily as part of a commitment to accountability in their dispute resolution.

Our members include banks, insurers, credit providers, stockbrokers, financial advisers, debt collection agencies, superannuation trustees and many more.

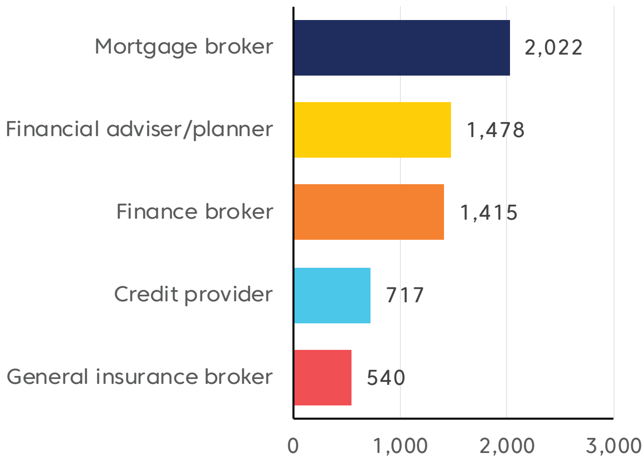
AFCA receives complaints about members' services from consumers and small businesses, and works with all parties to resolve the complaints fairly. AFCA also provides members with complaints handling data, insights and guidance to help them improve their services and prevent future complaints.

AFCA had 44,958 members at the end of June 2023. Approximately 77% (34,512) of our members were ACRs, and 23% (10,446) were financial firms or financial service providers (FSPs).

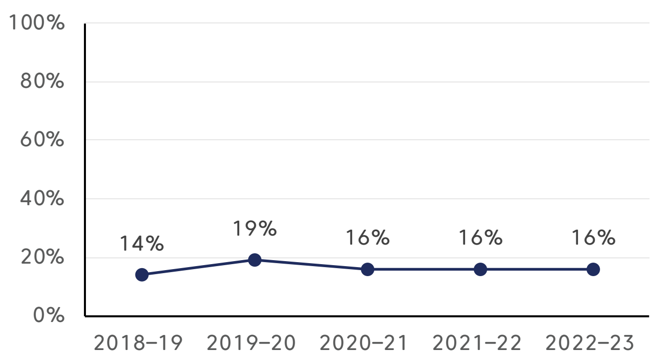
Most of our members are small and medium enterprises such as mortgage brokers, finance brokers, financial advisers/planners, credit providers and accountants.

Only a small number of AFCA members (16% or 1,716) had complaints made against them in 2022–23. This is around the same percentage as in the previous two financial years.

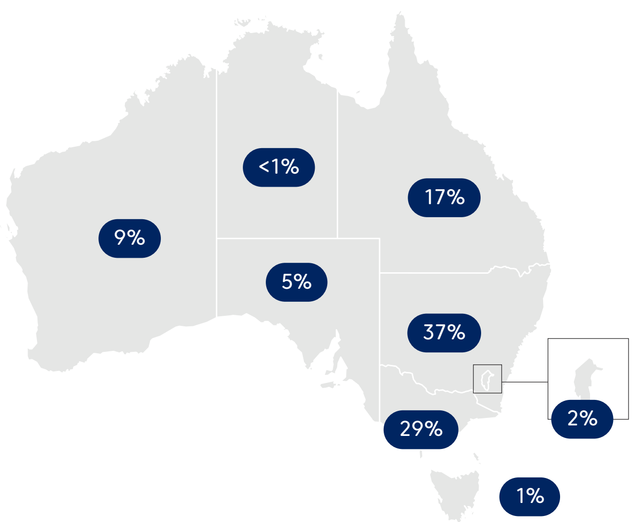
### Most common types of members




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




### Percentage of members by state and territory



| | 2018–19 | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Number of members at 30 June | 37,488 | 40,493 | 40,760 | 42,488 | 44,958 |
| Percentage of members who were ACRs | 72% | 74% | 74% | 75% | 77% |
| Percentage of members who were FSPs | 28% | 26% | 26% | 25% | 23% |

### Member types with the most complaints (top five)

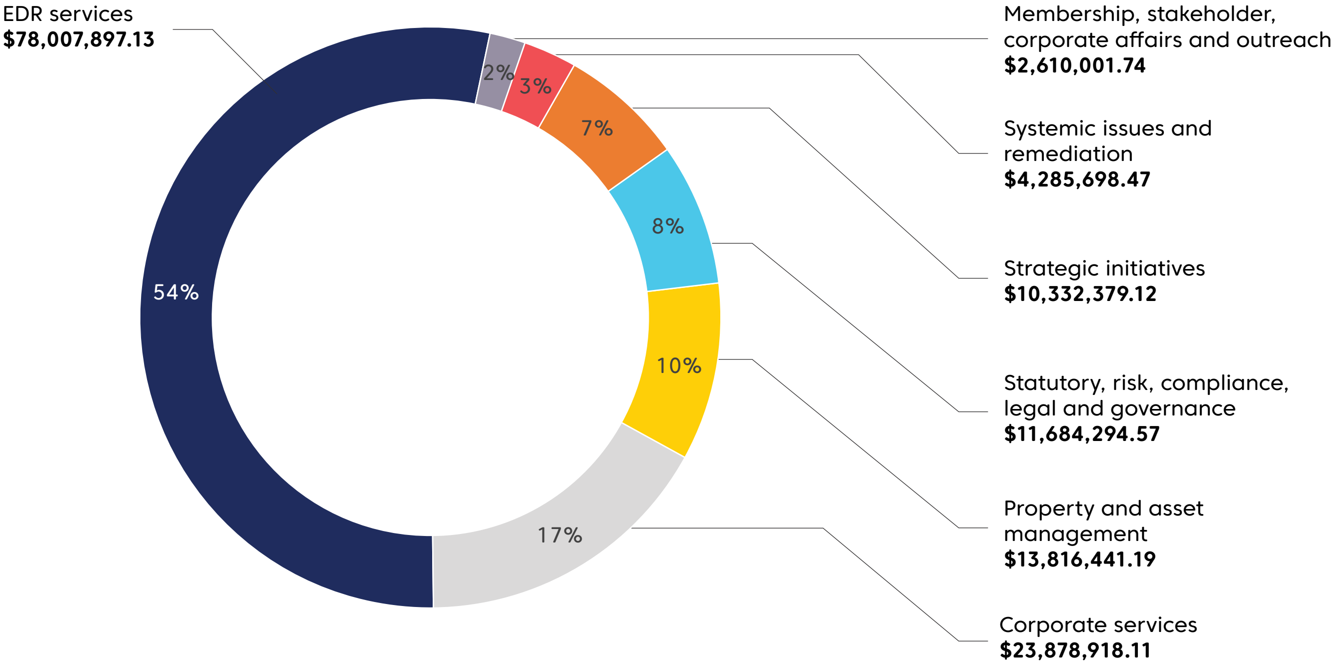
| 2018–19 | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|
| Bank (16,083) | Bank (28,411) | Bank (26,281) | Bank (28,339) | Bank (36,688) |
| General insurer (9,306) | General insurer (15,748) | General insurer (13,896) | General insurer (15,487) | General insurer (22,113) |
| Credit provider (7,052) | Credit provider (9,857) | Credit provider (8,216) | Credit provider (7,811) | Credit provider (9,837) |
| 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 (5,680) |
| Superannuation fund trustee/ adviser (1,706) | Debt collector or buyer (2,607) | Underwriting agency (2,115) | Life insurer (1,962) | Underwriting agency (3,567) |

## Use of members' funds

AFCA is funded by annual member registration fees, user charges and complaint fees received from member financial firms and ACRs. All members are required to pay a 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 complaints.

The following chart shows how we used our funds in 2022–23.



# Funding model

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

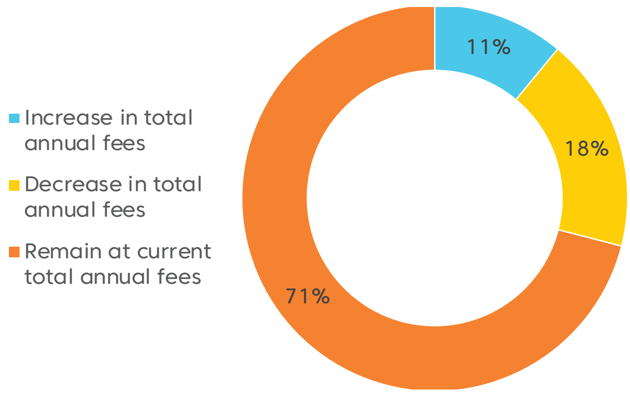
In developing the new model, member feedback was taken into account, as well as the key findings and recommendations of the AFCA Independent Review – with a particular focus on a user-pays approach that reduces the burden on smaller members and those industries that were not heavy users of AFCA, minimising cross subsidisation across sectors, and supporting firms to better forecast and budget for complaints.

AFCA's new funding model has now been in place for more than a year. A comprehensive review of the model has been completed, indicating the model is operating as intended and has achieved its objectives of being efficient and sustainable.

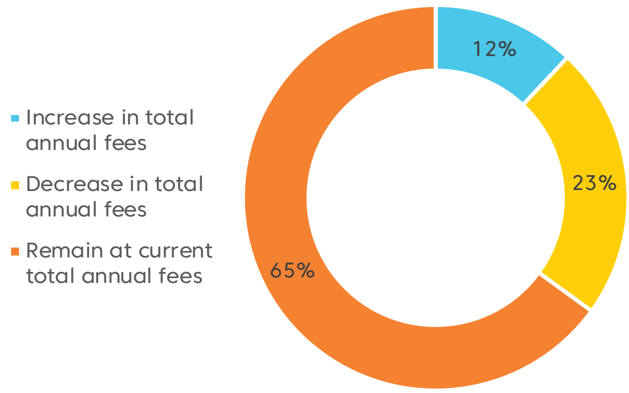
Broadly across the key features and expected change outcomes, actual fees and the distribution to members closely aligned to the modelling completed as part of the design of the new model during the 2021–22 financial year.

**Approximately 88% of AFCA's members saw a decrease or no change in their total annual fees** in the first year, in line with the expected total change.

### Expected overall fee change




### FY22–23 overall fee change



| Key features | | FY22–23 outcomes |
|---|---|---|
| All financial firm members pay a single annual registration fee. In the 2022 –23 and 2023–24 financial years, this fee was $375.55 for financial firms. The modelling expected **95% of financial firm** members would only pay the annual fee in FY22–23. | **Single registration fee** | In FY22–23, **95% of financial firm** members only paid the annual registration fee of $375.55. |
| The no complaints fees provision for the **first five complaints** closed within a financial year, was intended to provide reassurance for small members who could be significantly affected by an unforeseen complaint and give members time to identify and address causes of complaints before incurring costs. | 5 **Five free complaints** | In FY22–23, approximately **14% of AFCA's members** received the 1–5 free complaints and had no other charges, except for the annual registration fee. |
| Heavy users pay their fair share towards AFCA's services. As part of the design, AFCA targeted its funding to be made up of **50% fixed** (registration fee and user charge) and **50% variable** (complaint fees). | **'User-pays' approach** | At the end of FY22–23, AFCA landed with a **54% fixed** and **46% variable** [1] funding model, allowing for more variability in AFCA's funding. The 'user-pays' feature is functioning as expected with the heaviest users of AFCA's service paying their fair share. |

[1] Each year, AFCA will be targeting an approximately 50/50 split between fixed (user charge and annual registration fee) and variable (complaint fee) funding. However, the exact proportion may shift from year to year between 5–10% due to the variable nature of complaint volumes.

| Key features | | FY22–23 outcomes |
|---|---|---|
| A simplified complaint fee structure reduces complexity and encourages early resolution.<br><br>Reduced registration and referral fee means members have a final opportunity to resolve complaints without incurring significant costs. | **Simplified complaints fees** | AFCA saw a significant increase in complaint volumes during the year. The review found the proportion of complaints closed at each stage has remained relatively stable year on year. This indicates the model has **not driven a change in behaviour** from members or consumers because of published and reduced fees. |
| Superannuation members will pay the annual registration fee and complaint fees for complaints received.<br><br>The modelling **expected 82% of superannuation members would see a decrease** in their overall fees. | **Removal of super levy** | • **74% saw a decrease** in fees with 32% only paying the annual registration fee<br>• **23% have seen an increase**, primarily driven by the significant growth in superannuation complaints<br>• **3% remain unchanged** from the previous year |
| Members with a user charge over a certain threshold are automatically invoiced monthly.<br><br>However, at the beginning of each financial year, these **members can opt to receive their user charge invoices** quarterly, bi-annually or annually. | **Flexible invoicing** | In FY22–23, **60% of all members** who were issued with a user charge in FY22–23 opted in for progressive invoicing. |

The proposed funding model included the introduction of a nominal $100 Rules fee. Based on feedback during the consultation, and to ensure the simplicity of its fee structure, AFCA decided to remove the proposed fee from the model. A Rules fee may be considered in any future changes to the funding model. Following the implementation of the funding model, AFCA has seen an increase of 28% in complaints in Rules.

# Response to Treasury’s Independent Review of AFCA

## About the AFCA Independent Review

AFCA is regulated by the Australian Securities and Investments Commission (ASIC) in accordance with ASIC Regulatory Guide 267 ‘Oversight of the Australian Financial Complaints Authority,’ which requires AFCA to be periodically and independently reviewed.

Since the inaugural AFCA Independent Review report was released in November 2021, with 14 recommendations, AFCA has continued to further enhance its service to consumers, small businesses and members. The findings of the report provided insights that support our commitment to continuously improve the way we work and our dispute resolution scheme, for all who access our services.

Since the program of work responding to the recommendations commenced in December 2021, AFCA has completed four and made significant progress across another eight of the 14 recommendations, all of which remain on track for completion by December 2024.

Key highlights include the following:

- Delivering AFCA’s new funding model and improving transparency of AFCA’s fees and related services in 2022 (completing recommendations 7 and 8).
- Improving the visibility of the Independent Assessor to all parties to a complaint (completing recommendation 10).
- Improving the transparency of systemic issues in public reporting in 2022 (completing recommendation 13).
- Undertaking a transformation of the systemic issues function.
- Consulting with all stakeholders on proposed changes to AFCA’s Rules and Operational Guidelines in March 2023. The proposed changes support several Independent Review recommendations and ensure our Rules and Operational Guidelines remain accurate, up to date and provide clearer guidance about AFCA’s jurisdiction and processes.
- Building governance and consultation models for the development of AFCA Approach documents and a Forward Looking Review mechanism (recommendations 9 and 11).
- Settling our approach to professional and sophisticated investors (recommendation 6).
- Developing guidance for fee paid representatives about our service (recommendation 4).
- Conducting a post-implementation review of our Fairness Jurisdiction project (recommendation 2).
- Undertaking many initiatives to ensure the timeliness and efficiency of our service, including reducing the number of open AFCA complaints over 365 days to 0.9% of all complaints held.

AFCA will progress the remaining recommendations towards completion and continue to transparently share our program of work through consultations, engagement and the publication of quarterly updates.

For more information, visit AFCA’s **Independent Review page.**

# Independent Review highlights

### Delivering AFCA's new funding model and improving transparency of AFCA's fees and related services (recommendations 7 and 8)

On 1 July 2022, AFCA implemented its new 'user-pays' funding model, which 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.

Members began receiving invoices under the new fee structure from 1 July 2022. The delivery of the new funding model and improved fee transparency saw AFCA complete recommendations 7 and 8 of the Independent Review.

During the first year of the model, AFCA has been monitoring its performance to ensure it is operating as intended. For key findings of this review, visit page 32 and for more information on the funding model, visit AFCA's **funding model page.**

### Improving visibility of the Independent Assessor to all parties to a complaint (recommendation 10)

In December 2022, AFCA completed recommendation 10, improving the visibility of the Independent Assessor, with the delivery of enhanced consumer and member resources on the Independent Assessor. Key deliverables included:

- Publishing new information on AFCA's service complaints process and the Independent Assessor on the AFCA website, including a fact sheet and new videos for members, consumers and stakeholders.
- Providing information about AFCA's service complaints process and the Independent Assessor in 19 languages to improve accessibility.
- Making it easier to find information about the Independent Assessor through improved website navigation and search engine optimisation (SEO).
- Communicating about AFCA's service complaints process and the Independent Assessor in messages to consumers and members during AFCA's dispute resolution process.

AFCA maintains an ongoing focus on raising the visibility of its service and feedback measures, including the Independent Assessor, to ensure we continue to provide an accountable service. For more information visit AFCA's **Independent Assessor page.**

### Improving transparency of systemic issues in public reporting (recommendation 13)

As part of its commitment to transparency and sharing key systemic issues insights with consumers, members and stakeholders, AFCA launched its inaugural Systemic Issues Insights Report in December 2022. The report shared recent data and findings from a range of systemic issue cases across the industry, helping financial firms to improve industry practice. The delivery of the report also saw AFCA implement Recommendation 13. The report is published bi-annually. For more information and to read the reports, visit the **Systemic Issues Insights Report page.**

### AFCA's consultation on Rules and Operational Guidelines changes

In May 2023, AFCA concluded its consultation on proposed changes to its Rules and Operational Guidelines. The proposed changes were developed to address recommendations made in the Independent Review, with some additional changes to help ensure AFCA's Rules and Operational Guidelines remain accurate, up to date and provide clearer guidance around AFCA's jurisdiction and processes.

The consultation was designed with the needs of diverse stakeholders in mind, so there were many ways to provide comment, including through webinars, meetings, an online submission form and written submissions. AFCA engaged with a range of stakeholders during the consultation and received a total of 37 formal written submissions, including 33 non-confidential submissions. AFCA would like to thank all stakeholders for a constructive and cooperative consultation process.

Following approvals, the new Rules and Operational Guidelines will take effect on 1 July 2024. For more information, visit AFCA's **Rules and Operational Guidelines Consultation page**.

## "It is always great to work with your team. You are all so helpful."

*- Feedback from a member*

# Compensation Scheme of Last Resort

On 22 June 2023, the Australian Parliament passed legislation that established a Compensation Scheme of Last Resort (CSLR). This was a huge step forward in consumer protection in the Australian financial services sector. AFCA and its predecessor schemes have long supported the introduction of such a scheme.

We firmly believe Australia needs a compensation scheme for those entitled to a remedy for financial misconduct, but who have no redress because a financial firm becomes insolvent, or does not pay compensation awarded under an AFCA determination.

The CSLR will facilitate payments of up to $150,000 to eligible consumers who have received an AFCA determination awarding compensation in certain types of complaints, within the scope of the scheme, but where no payment has been made.

The Australian Government has asked AFCA to set up the CSLR as an independent, not-for-profit company with its own board, with funding arrangements established by the Government.

The Government's intention is that consumers will be able to lodge claims against the scheme from April 2024.

The scope of the CSLR is a matter for government policy. Decisions on eligibility will be made by the operator of the CSLR, which will be independent of AFCA.

More information about the CSLR is available on its website at **cslr.org.au**.

## Paused complaints

From April 2020, AFCA paused complaints against insolvent financial firms while awaiting the details of the scope and timing of a CSLR.

Following the passing of the CSLR legislation in June 2023, AFCA commenced reviewing the status of nearly 5,000 paused complaints to determine eligibility for the scheme. The review is continuing.

These complaints included:

- closed complaints already determined by AFCA, but where no payment had been made by the firm
- open complaints on pause not yet considered by AFCA.

## Insolvent financial firm complaints and unpaid compensation

As at 30 June 2023, AFCA had 4,905 open complaints involving 57 financial firms impacted by insolvency. Consumer claims in these cases were estimated at over $696 million, not all of which will be eligible for the scheme.

Please note: Claim amounts and outcome amounts are estimates only and may be subject to change for various reasons, including further validation.

### Open insolvent financial firm complaints

| | Total |
|---|---|
| Open complaints against insolvent firms | 4,905 |
| Number of financial firms | 57 |
| Consumer claim amounts [1] | $695,969,616 |

### Profile by primary business type

| Primary business | Number of firms | Number of complaints | Total claim amount |
|---|---|---|---|
| Financial adviser/planner | 20 | 1,992 | $378,760,082 |
| Foreign exchange dealer | 2 | 1,162 | $253,608,399 |
| Funeral insurance provider | 4 | 1,133 | $7,915,665 |
| MIS operator/fund manager | 6 | 272 | $28,074,948 |
| Derivatives dealer | 3 | 229 | $13,715,361 |
| BNPL provider | 1 | 16 | $7,719 |
| Corporate adviser | 1 | 16 | $8,029,978 |
| Securities dealer | 4 | 13 | $2,655,319 |
| Timeshare scheme operators | 1 | 13 | $61,867 |
| General insurance broker | 2 | 11 | $75,936 |
| FinTech | 1 | 11 | $10,978 |
| Credit provider | 4 | 11 | $34,000 |
| Mortgage broker | 2 | 9 | $2,101,000 |
| Debt collector or buyer | 2 | 8 | $12,348 |
| Make a market | 1 | 6 | $686,917 |
| Finance broker | 2 | 2 | $19,100 |
| Stockbroker | 1 | 1 | $200,000 |
| Total | 57 | 4,905 | $695,969,616 |

[1] Total claim amount likely to be higher, as a number of claims on open cases are yet to be calculated, recorded or validated.

### Closed insolvent financial firm complaints

| | Total |
|---|---|
| Unpaid determinations involving insolvent firms | 308 |
| Number of financial firms | 29 |
| Amount awarded to consumers (excluding interest) | $14,720,642 |

### Profile by primary business type

| Primary business | Number of firms | Number of complaints | Total outcome amount |
|---|---|---|---|
| Funeral insurance provider | 3 | 181 | $1,357,068 |
| MIS operator/fund manager | 5 | 62 | $6,386,774 |
| Financial adviser/planner | 12 | 34 | $6,305,562 |
| Derivatives dealer | 3 | 21 | $691,338 |
| Securities dealer | 3 | 7 | $564,418 |
| Mortgage broker | 3 | 4 | $517,106 |
| Foreign exchange dealer | 1 | 4 | $582,640 |
| Corporate adviser | 1 | 2 | $795,000 |
| Credit provider | 1 | 1 | $1,000 |
| Make a market | 1 | 1 | $159,189 |
| FinTech | 1 | 1 | $750 |
| Total | 34 | 318 | $17,360,846 |

Due to the pause on insolvent financial firms, data in relation to only closed determinations in favour of the complainant does not reflect the full picture and should be considered with open complaints.

# Complaints

# Who complained to AFCA in 2022–23

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.

### Complaints by state and territory

| | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| New South Wales | 30% | 30% | 30% | 30% | 31% |
| Victoria | 28% | 27% | 28% | 28% | 27% |
| Queensland | 19% | 18% | 18% | 18% | 18% |
| Western Australia | 9% | 10% | 9% | 8% | 8% |
| South Australia | 6% | 5% | 5% | 6% | 6% |
| Australia Capital Territory | 1% | 2% | 2% | 2% | 2% |
| Tasmania | 1% | 1% | 1% | 1% | 1% |
| Northern Territory | 1% | 1% | 1% | 1% | 1% |
| Not provided | 6% | 7% | 8% | 7% | 7% |
| Other countries | 1% | 1% | 1% | 1% | 1% |

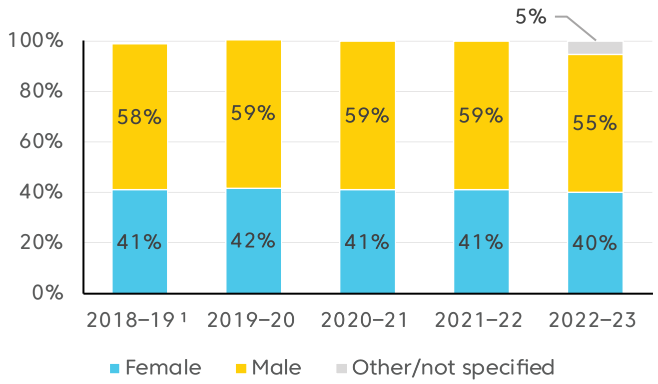
### Age of complainants [2]

| | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| 0–17 | 1% | 1% | 1% | 1% | 1% |
| 18–24 | 1% | 1% | 2% | 2% | 2% |
| 25–29 | 4% | 5% | 5% | 6% | 5% |
| 30–39 | 20% | 21% | 22% | 22% | 21% |
| 40–59 | 43% | 44% | 43% | 44% | 42% |
| 60+ | 25% | 24% | 23% | 21% | 24% |
| Not provided | 14% | 12% | 13% | 12% | 12% |

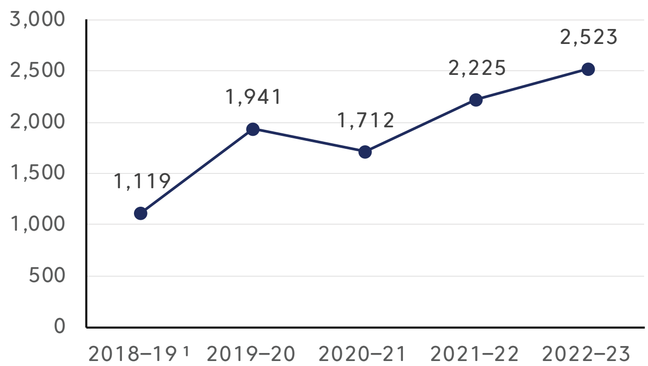
[1] AFCA commenced on 1 November 2018. The 2018–19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] Age of complainants does not represent all complaints as AFCA does not require complainants to provide a date of birth and some complaints are submitted by small businesses.

### Gender of complainants




### Complainants identified as First Nations peoples




### Top 10 languages (other than English) in which interpreters were requested

| | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Mandarin | 180 | 283 | 269 | 258 | 447 |
| Taiwanese | 9 | 26 | 27 | 55 | 165 |
| Arabic | 71 | 99 | 76 | 73 | 124 |
| Cantonese | 42 | 44 | 45 | 63 | 56 |
| Vietnamese | 30 | 62 | 42 | 42 | 55 |
| Korean | 17 | 24 | 23 | 19 | 44 |
| Persian (Farsi) | 21 | 57 | 38 | 38 | 38 |
| Hindi | 10 | 32 | 13 | 19 | 38 |
| Punjabi | 15 | 18 | 19 | 23 | 30 |
| Spanish | 24 | 25 | 17 | 16 | 30 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

# Overview of complaints

Between 1 July 2022 and 30 June 2023, consumers and small businesses lodged a record 96,987 complaints with AFCA, representing an unprecedented 34% rise on the previous year.

This reflected growing financial stress in the community, the continued scourge of scams and issues with delays in insurer claims handling that have continued for more than 12 months.

Small businesses lodged 3,807 (4%) complaints with AFCA in 2022–23.

AFCA resolved 86,185 complaints in 2022–23, which is 21% more than in 2021–22. Successful complainants secured $253.8 million in compensation and refunds. In addition, AFCA's systemic issues work resulted in firms remediating a total of $100,528,522 to 378,830 people.

AFCA has now helped to secure $1.15 billion in compensation and refunds since its inception on 1 November 2018, and has closed more than 370,000 complaints (as at 30 September 2023).

Banking and finance complaints rose 27% to 53,638 in 2022–23. Within this category, complaints involving financial difficulty rose by 9% over the financial year, but were up 31% in the June quarter when compared with the same period a year earlier. Home loan complaints and credit card complaints also surged higher in the final months of the financial year.

Personal transaction accounts overtook credit cards as the most complained about product in 2022–23, with disputes up 86%. It was the first time credit cards have not topped this list since AFCA's inception. The change was partly due to scam-related complaints, which rose 46% to 6,048.

The top general insurance issue in 2022–23 was the delay in claim handling for insurers (up 66%). Overall, general insurance complaints rose over 50% from 18,563 to 27,924.

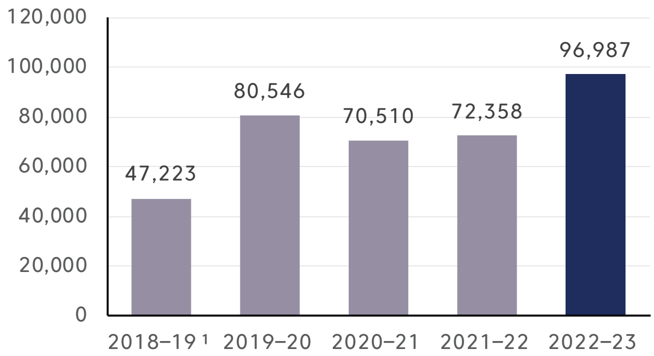
AFCA acknowledges the challenges insurers have faced in recent years. However, the sustained increase in complaints and issues with delays is of great concern. AFCA is working closely with insurers to reduce complaints requiring an AFCA investigation.

Delays in insurance claim handling were also a significant issue in the superannuation sector in 2022–23. Super complaints were up 32%. This included a 136% increase in complaints about claim delays (including the payment of death benefits).

Buy now, pay later (BNPL) complaints rose 57%. This was likely caused by more consumers turning to alternative forms of credit as rates rose and cost-of-living pressures mounted.

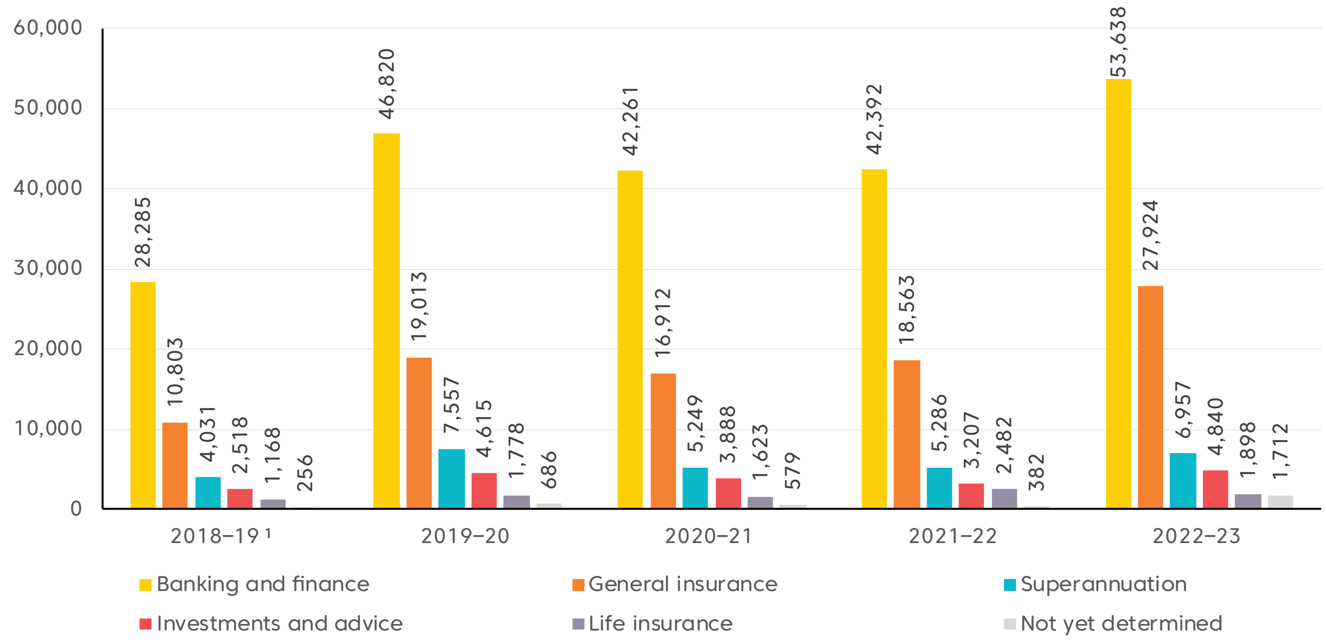
Throughout 2023–24, AFCA will continue to encourage banks and other finance providers to take active steps to identify and support customers experiencing financial hardship.

### Complaints received




[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

### Complaints received by product line




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

| Product | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Personal transaction accounts | 1,819 | 3,815 | 5,758 | 7,416 | 13,781 |
| Credit cards | 7,112 | 11,628 | 9,903 | 9,153 | 10,555 |
| Home building | 1,887 | 3,616 | 3,527 | 6,120 | 9,592 |
| Motor vehicle – comprehensive | 2,680 | 4,104 | 4,386 | 5,791 | 8,296 |
| Home loans | 4,085 | 7,608 | 6,400 | 6,439 | 7,096 |

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

| Issue | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Delay in claim handling | 2,716 | 5,169 | 4,773 | 6,259 | 10,996 |
| Unauthorised transactions | 2,927 | 5,081 | 5,048 | 6,398 | 10,840 |
| Service quality | 2,405 | 5,685 | 6,880 | 8,744 | 8,374 |
| Claim amount | 2,376 | 3,774 | 3,693 | 4,419 | 6,266 |
| Denial of claim – exclusion/condition | 1,810 | 3,183 | 3,260 | 3,222 | 4,851 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

# Open cases

As at 30 June 2023, AFCA had 28,824 open cases. This was 62% more open cases than it had at the same time last year (AFCA had 17,826 open cases on 30 June 2022).

This was not unexpected given the surge in complaints AFCA received in the last financial year and the decline in early resolution by some sectors, including general insurance.

As at 30 June 2023, AFCA had 11,363 open cases in banking and finance, 7,953 open cases in general insurance, 2,585 open cases in superannuation, 5,220 open cases in investments and advice, and 1,670 open cases in life insurance.

Twenty-six per cent of open cases were less than 30 days old, while 17% were aged between 31 and 60 days.

The number of complaints open at Case Management increased 86% this year.

We also saw a large increase in complaints needing an AFCA Rules Review. As at 30 June 2023, our Rules team had 1,593 open cases – a 124% increase over the last financial year. This large increase in volume put further pressure on our capacity to investigate these cases.

Because of these challenges and the delays they invariably caused, the number of unresolved cases lasting between 61–180 days and 181–365 days increased by 109% and 132%, respectively, over 2022–23.

Despite these challenges, the number of cases open for more than 365 days dropped slightly from 12% of all cases to 11%. Most (91%) of these cases were complaints that could not be progressed due to insolvency proceedings or ongoing court cases. (See pages 35–37 for more about complaints against insolvent firms and the Compensation Scheme of Last Resort). Only 9% were matters that could be progressed.

For complex complaints that could be progressed, we have reduced the age profile from 2.4% of open cases as at 30 June 2022 to 0.9% as at 30 June 2023.[1]

AFCA has been taking significant steps to increase its capacity to deal with the record number of complaints, including by actively recruiting and re-assigning staff to high-impact product areas, growing our staff profile from 860 in September 2022 to 1,026 by July 2023, batching complaints that lend themselves to being resolved by one defined approach, regularly communicating with complainants about the progress of their complaints, and investing in technology solutions to create greater efficiencies in parts of our process. AFCA also continues to prioritise vulnerable complainants.

To ensure early and efficient dispute resolution, AFCA is also encouraging financial firms to look at ways to resolve complaints early, especially insurers. Early resolution is good for complainants and members, and enables AFCA to prioritise complex or particularly urgent complaints – such as those relating to financial hardship and consumers severely impacted by natural disasters.

While schemes like AFCA play an important role in dispute resolution, internal dispute resolution (IDR) is the first port of call and ensures better outcomes for consumers and industry.

[1] Aged cases exclude paused complaints, complaints relating to test cases, batched complaints and cases subject to external litigation.

## Increase in complaints requiring an AFCA investigation

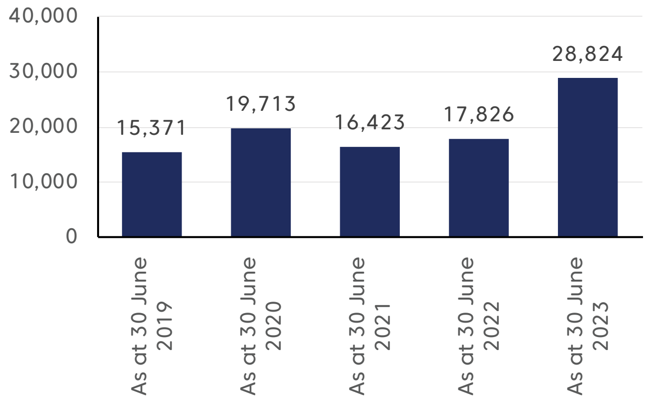
When a complaint is submitted to AFCA, we first refer it back to the financial firm to see if they can resolve it with the customer directly. Financial firms generally have up to 30 days to respond.

AFCA will progress a complaint to our Case Management stage if the financial firm takes over 30 days to respond or can't resolve the issue, or if the complainant isn't happy with the response.

In the 2022–23 financial year, 44,047 complaints progressed to Case Management, and so required an AFCA investigation. This was up 29% from 2021–22 when 34,233 complaints progressed.

In particular, AFCA saw a spike in the number of general insurance complaints that required an AFCA investigation this year. Insurance complaints that progressed to Case Management in 2022–23 grew by 52% (from 10,563 to 16,048). Many of these could have been resolved much earlier by insurers through IDR (see more about general insurance complaints on page 74–77).

**Open cases at the end of the last five financial years**




### "All along I was kept informed of the process and every time my case worker spoke with me, it was in a way that I could understand and always listened to what I had to say."

*- Feedback from a consumer*

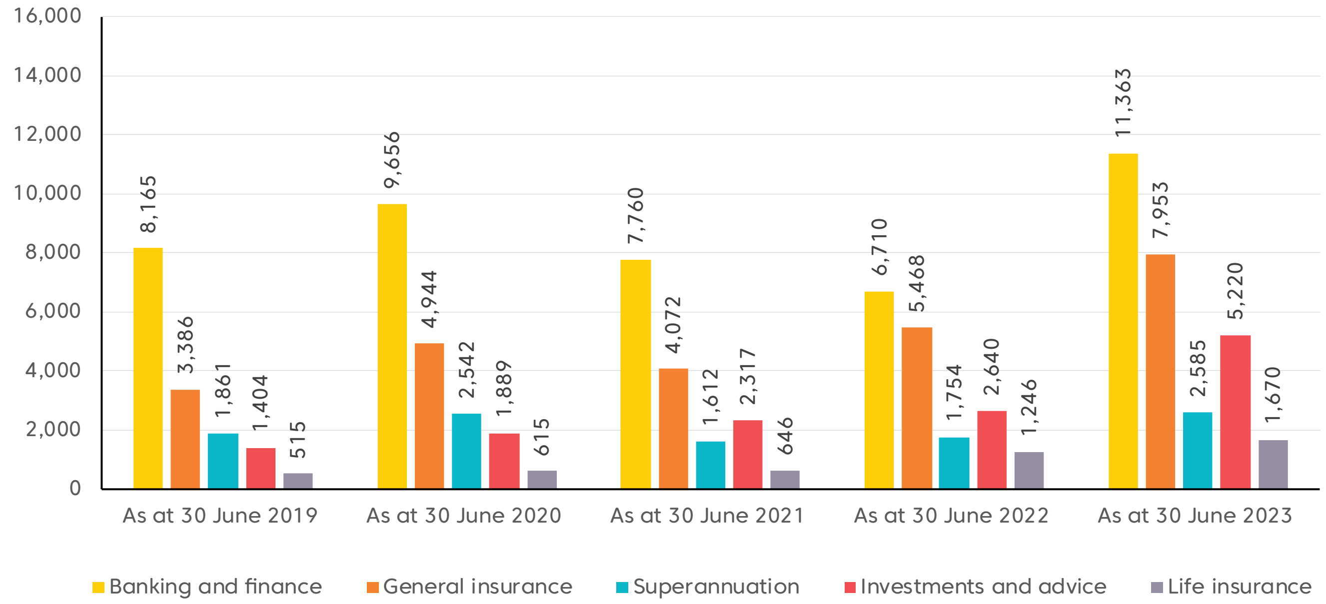
### Open cases by age

| Age | As at 30 June 2019 | As at 30 June 2020 | As at 30 June 2021 | As at 30 June 2022 | As at 30 June 2023 |
|---|---|---|---|---|---|
| 0–30 days | 7,181 | 7,619 | 5,277 | 6,139 | 7,514 |
| 31–60 days | 3,312 | 3,982 | 3,110 | 3,501 | 4,800 |
| 61–180 days | 4,102 | 4,568 | 4,530 | 4,099 | 8,565 |
| 181–365 days | 776 | 1,926 | 2,014 | 2,027 | 4,696 |
| More than 365 days | 0 | 1,618 | 1,492 | 2,060 | 3,249 |

### Open cases by stage of process

| Stage | As at 30 June 2019 | As at 30 June 2020 | As at 30 June 2021 | As at 30 June 2022 | As at 30 June 2023 |
|---|---|---|---|---|---|
| Registration and Referral | 5,338 | 8,968 | 5,904 | 7,567 | 11,638 |
| Case Management | 6,943 | 6,558 | 6,171 | 6,812 | 12,686 |
| Rules Review | 1,168 | 632 | 646 | 712 | 1,593 |
| Preliminary Assessment | 1,348 | 2,147 | 1,911 | 1,449 | 1,577 |
| Decision | 574 | 1,408 | 1,791 | 1,286 | 1,330 |

### Open cases by product type [1]




[1] Note: Forty-one complaints had no product information, or the product had yet to be determined as at 30 June 2023.

# Closed cases

AFCA closed 86,185 complaints between 1 July 2022 and 30 June 2023. This was 21% more complaints than it closed in 2021–22.

More than half (57%) of complaints were closed at Registration and Referral, the first step in the resolution process. The Registration and Referral stage is where a complaint is referred back to the financial firm to try and resolve the complaint with the complainant directly.

Complaints that were unable to be resolved at Registration and Referral were progressed to other stages of AFCA's process.

Twenty-six per cent of complaints were closed at Case Management and 7% were closed at Rules Review. This was similar to last year.

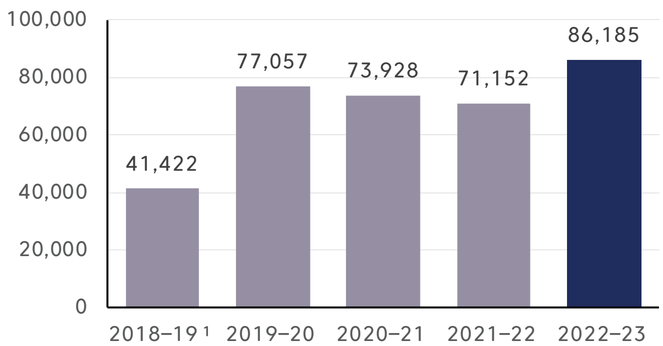
The remaining complaints were resolved through Preliminary Assessment (5%) and Decision (5%).

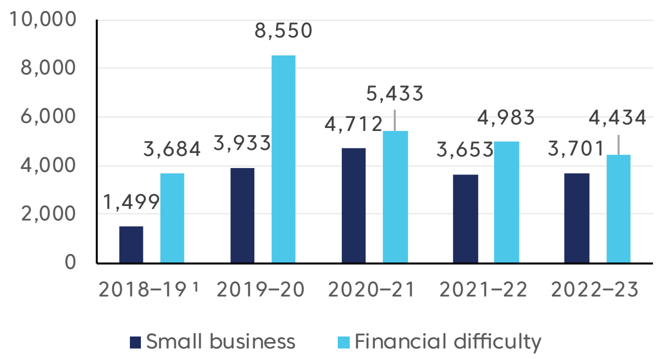
Despite the increased complaint volumes AFCA has faced, on average, it took 69 days to close a complaint, a decrease from the previous year, where complaints took an average of 72 days to close. This is a significant decrease from 2020–21, where it took 76 days, on average, to close a complaint.

Thirty-two per cent of complaints were closed within 30 days of AFCA receiving them. With the same amount again (32%) being closed between 31 and 60 days.

More complex cases that took 61 to 180 days to close made up 28% of closed complaints. The remaining 9% of closed complaints took more than 180 days to close.

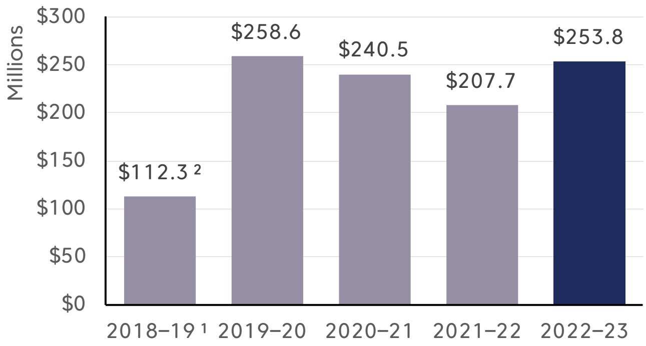
### Complaints closed



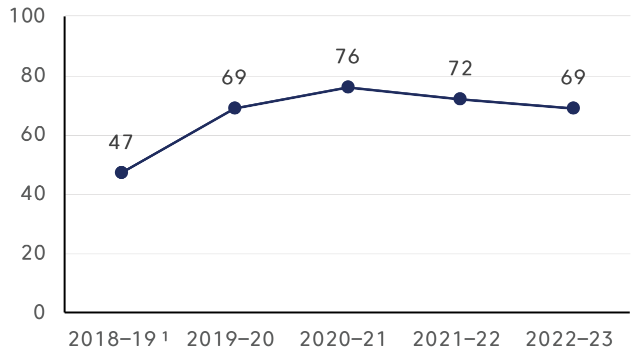




[1] AFCA commenced on 1 November 2018. The 2018–19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

### Compensation awarded or obtained through AFCA in dollars




### Average time to close a complaint in days [3]




### Complaints resolved before determination

| | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Total | 38,252 | 72,145 | 68,911 | 66,303 | 81,953 |
| Resolved by agreement or in favour of complainant | 71% | 73% | 75% | 73% | 76% |
| Resolved in favour of financial firm | 3% | 3% | 3% | 3% | 2% |
| Outside Rules/Terms of Reference [4] | 15% | 12% | 10% | 12% | 9% |
| Discontinued /withdrawn | 10% | 12% | 12% | 11% | 12% |
| By assessment | 1% | 1% | 1% | 1% | 1% |

### Determinations

| | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Total | 3,170 | 4,912 | 5,017 | 4,849 | 4,232 |
| Found in favour of complainant | 26% | 30% | 23% | 24% | 28% |
| Found in favour of financial firm | 74% | 70% | 77% | 76% | 72% |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] Only includes AFCA and Financial Ombudsman Service (FOS) complaints.

[3] This excludes complaints that were inactive for an extended period, for example complaints that were paused because the financial firm was insolvent or due to court proceedings, and complaints that were previously closed and re-opened.

[4] Complaints that were closed because they were outside AFCA's Rules/Terms of Reference and were, therefore, excluded.

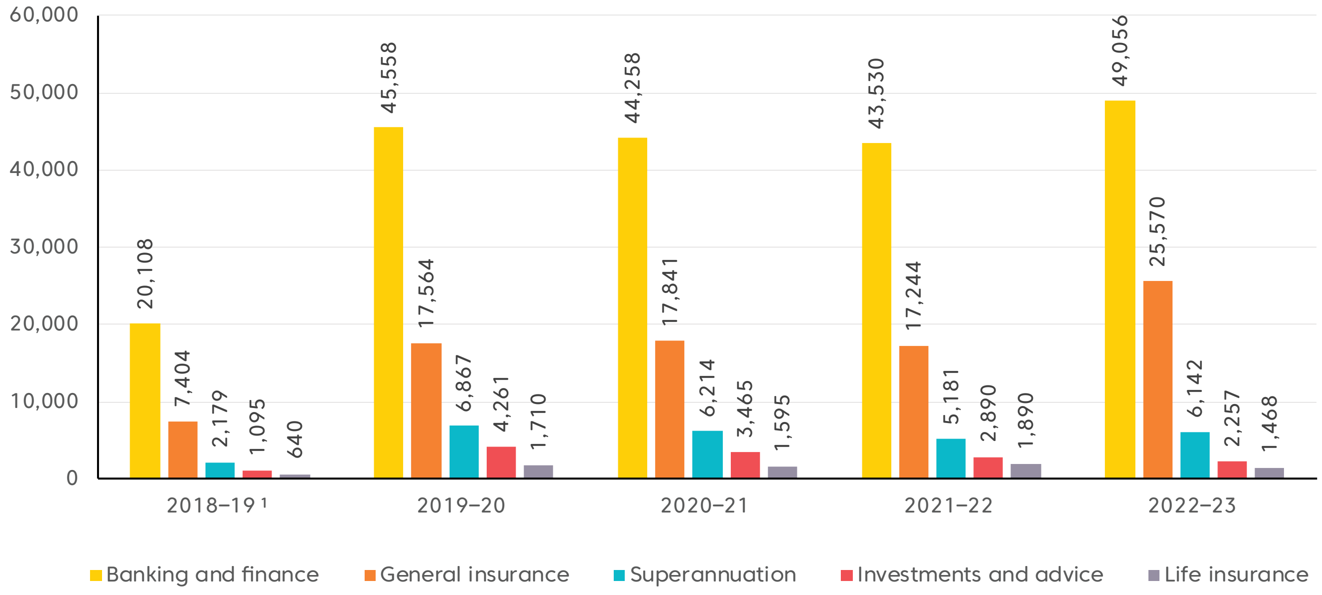
### Time taken to close complaints

| Age | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| 0–30 days old | 15,577 | 21,510 | 19,874 | 22,747 | 27,203 |
| 31–60 days old | 15,205 | 24,189 | 21,511 | 21,462 | 27,573 |
| 61–180 days old | 7,200 | 24,658 | 24,821 | 20,607 | 24,062 |
| 181–365 days old | 1,342 | 5,590 | 5,352 | 4,436 | 5,982 |
| More than 365 days | N/A | 734 | 2,370 | 1,900 | 1,365 |

### Stage at which complaints closed

| Stage | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Registration and Referral | 17,980 | 36,564 | 37,049 | 36,568 | 48,996 |
| Case Management | 11,884 | 21,169 | 19,962 | 17,896 | 22,008 |
| Rules Review | 0 | 7,997 | 5,945 | 6,904 | 5,899 |
| Preliminary Assessment | 1,404 | 5,916 | 5,457 | 4,510 | 4,656 |
| Decision | 587 | 5,035 | 5,515 | 5,274 | 4,626 |

### Complaints closed by product type [2]




[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] Note: 1,680 complaints had no product information, or the product had yet to be determined as at 30 June 2023. These are cases closed before referral.

"Many thanks for your consideration, professionalism and for taking the time to understand the complaint in full. It really is appreciated by both us and the client."

*- Feedback from a member*

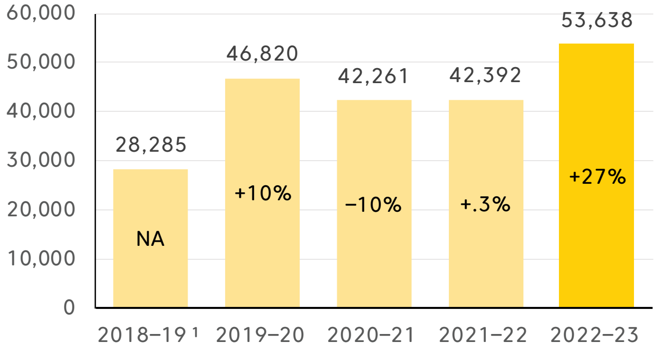
# Banking and finance complaints

Between 1 July 2022 and 30 June 2023

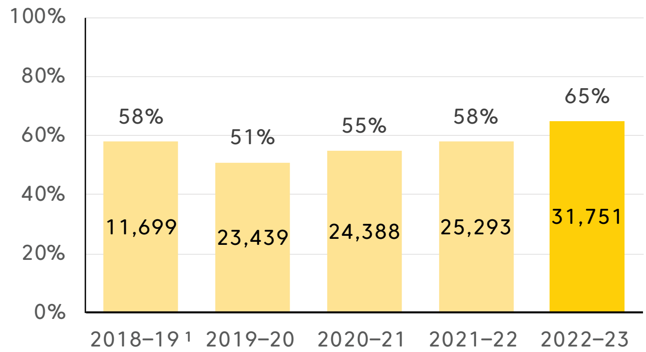
**53,638** complaints received

**65%** 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[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Personal transaction accounts | 1,819 | 3,815 | 5,758 | 7,416 | 13,781 |
| Credit cards | 7,112 | 11,628 | 9,903 | 9,153 | 10,555 |
| Home loans | 4,085 | 7,608 | 6,400 | 6,439 | 7,096 |
| Personal loans | 3,724 | 5,722 | 5,343 | 5,679 | 6,524 |
| Electronic banking | 520 | 932 | 1,668 | 2,233 | 2,443 |

### Top five banking and finance complaints received by issue

| Issue | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Unauthorised transactions | 2,839 | 4,915 | 4,878 | 6,174 | 10,614 |
| Service quality | 1,369 | 3,193 | 4,373 | 5,677 | 5,222 |
| Financial firms' failure to respond to request for assistance | 1,740 | 3,123 | 2,735 | 2,753 | 2,813 |
| Default listing | N/A[2] | N/A[2] | 3,750 | 3,410 | 2,620 |
| Incorrect fees costs | 1,521 | 2,686 | 2,480 | 2,488 | 2,561 |

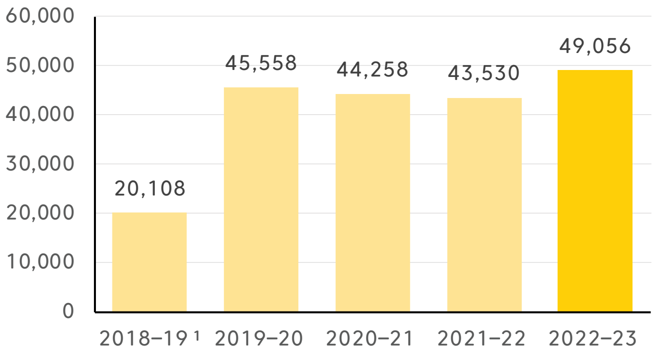
[1] AFCA commenced on 1 November 2018. The 2018–19 financial year covers an 8-month period (from 1 Nov 2018 to 30 Jun 2019). Year-on-year changes between 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] A distinct issue category for default listing didn't exist before 2020–21.

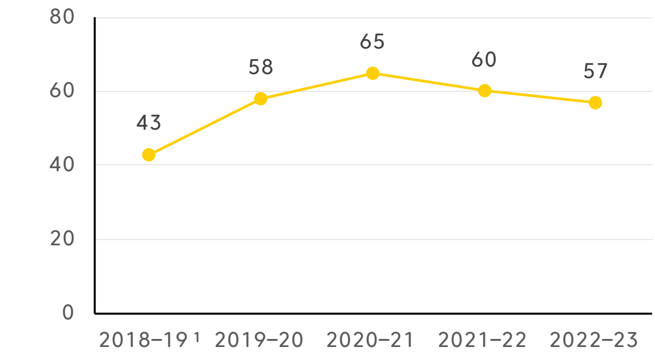
**49,056** complaints closed

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

### Banking and finance complaints closed




### Average time to close a banking and finance complaint in days[2]




### Stage at which banking and finance complaints closed

| Stage | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| At Registration | 11,699 | 23,439 | 24,388 | 25,293 | 31,751 |
| At Case Management | 4,548 | 12,891 | 11,779 | 10,622 | 11,043 |
| At Rules Review | 3,112 | 4,787 | 3,707 | 4,146 | 3,521 |
| Preliminary Assessment | 574 | 2,503 | 2,341 | 1,751 | 1,421 |
| Decision | 175 | 1,938 | 2,043 | 1,718 | 1,320 |

### Time taken to close banking and finance complaints

| Time | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Closed in 0–30 days | 7,965 | 14,837 | 14,018 | 16,759 | 19,021 |
| Closed in 31–60 days | 7,012 | 15,347 | 13,678 | 13,398 | 16,192 |
| Closed in 61–180 days | 5,040 | 12,943 | 12,848 | 10,925 | 11,390 |
| Closed in 181–365 days | 91 | 2,080 | 2,037 | 1,634 | 1,951 |
| Closed in in more than 365 days | 0 | 351 | 1,677 | 814 | 502 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] This excludes complaints that were inactive for an extended period, for example complaints that were paused because the financial firm was insolvent or due to court proceedings, and complaints that were previously closed and re-opened.

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.

## Key insights

- High and increasing EDR complaint numbers in the sector
- However, strong results achieved by financial firms in early resolution of complaints, especially by the major banks
- Increasing transaction-related complaints (including about scams), which are covered on pages 59–60
- Continued high levels of service complaints about banking services provided to consumers
- Sustained level of credit reporting complaints, primarily about default listings, credit enquiries and repayment history information. AFCA has been working with firms on the rollout of the financial hardship information component of repayment history information
- Notable increases in complaints around new sources of finance, such as buy now, pay later products
- Early signs of an uplift in financial hardship complaints, including failure by financial firms to respond to requests for hardship assistance. Financial difficulty is covered on pages 63–66.

In 2022–23, AFCA received 53,638 banking and finance complaints. This marks a 27% increase from the previous year and the highest number of complaints in this product area since AFCA commenced operations in 2018–19.

In 2022–23, we closed 49,056 banking and finance complaints – up 5,526, or 12.7%, from the previous year. The average time to close complaints was 57 days.

A welcome trend in these challenging times has been the high number of complaints being resolved at the Registration and Referral stage. Across the 2022–23 financial year, the sector's investment and focus on proactive complaints management resulted in 65% of closed complaints being resolved at the Registration and Referral stage. While complaint inflows into AFCA remained high, early resolution by the banking sector significantly reduced the proportion of cases needing to be resolved by AFCA. As the overall number of complaints continues to increase, it will be important for the industry to maintain this positive focus and resolve complaints early to avoid the need for escalation to AFCA.

The work of financial counsellors across Australia also continues to provide a strong consumer voice in the complaints ecosystem and has contributed to driving resolutions and ensuring fair outcomes, particularly for vulnerable consumers. AFCA looks forward to continued positive working relationships with both members and consumer advocates in the coming year, as consumers likely face increasingly challenging economic conditions. You can find out more about complaints lodged by financial counsellors and consumer advocates on behalf of consumers on page 103–107.

In 2022–23, 11,043, or 23%, banking and finance complaints were closed at the Case Management stage. Pleasingly, there was a 25% decrease from last year of banking and finance cases that continued through the AFCA process and were closed at the Decision stage.

High incoming complaints are, however, causing strain at the early stages of the process and in the Rules stage, where some complaints await allocation. As at 30 June 2023, 2,316 complaints were in the Case Management allocation queue, while an additional 1,660 complaints were in the Rules queue. Initiatives are underway across AFCA to address queues and adjust our process to cope with the significantly higher than expected inflows.

Notwithstanding these challenges, for the financial year we closed 19,021 banking and finance complaints within 30 days, up from 16,759 in 2021–22. Only 1% of complaints took more than a year to close.

The top three banking and finance complaints, in descending order, were personal transaction accounts (13,781 or 26%), credit cards (10,555 or 20%) and home loans (7,096 or 13%). Credit products consistently attracted the highest proportion of complaints submitted to AFCA, with credit cards the most complained about.

The three most commonly raised issues, in descending order, were unauthorised transactions (including scams) (10,614 or 20%), service quality (5,222 or 10%) and financial firms' failure to respond to requests for assistance (2,813 or 5%).

Against a backdrop of rising interest rates and cost-of-living pressures, it is not surprising to see increases in complaints relating to financial hardship and financial difficulty, alternative credit or similar products such as buy now pay later, credit reporting, general service and responsible lending. AFCA continues to refine and enhance our approaches to helping members, consumers and their representatives to navigate some of these areas, including through the release for consultation of a draft Responsible Lending Approach on 31 July 2023. We continue to encourage financial firms to address and improve their customer service, especially in relation to hardship by reviewing their approach to special assistance requests.

Banking and finance complaint data includes financial difficulty complaints. For specific information on financial difficulty complaints, please see page 63–66.

*Case study*

## Dealing with domestic violence

### Background

The complainant had been with her partner for many years, and said during that time the relationship became abusive. The complainant provided information that her ex-partner was controlling the family's finances and had been lying about the status of their home loan repayments. By the time the complainant contacted AFCA, she had separated from her partner and sold the home, but the sale did not cover the cost of the loan. The complainant's parents had used their own home to secure the loan, and it was now at risk.

### Outcome

When the complainants contacted AFCA, we considered the complainant was in a vulnerable situation. We set up a conciliation call with the complainant's financial counsellor and a representative from the bank. After discussing the complainant's situation and the history of the loan, and with the benefit of new information about the complainant's situation, the bank decided to waive the remaining shortfall.

*Case study*

# Access to redraw facilities

### Background

In 2006, the complainant arranged a 30-year low-documentation loan that included a redraw feature (but no offset option). The complainant used the redraw feature regularly over many years. In August 2019, when the loan had approximately $21,000 available for redraw, the financial firm declined an attempt by the complainant to redraw $10,000. This occurred a few weeks after the firm had decided, without informing the complainant, to restrict access to the redraw facility. The firm said it made this decision after identifying a class of loans (based partly on their age) that would require up-to-date financial information before further redrawing was permitted.

Defending its actions, the financial firm said the terms and conditions of the loan gave it full discretion over the availability of the redraw facility. The firm also said it needed to review financial information to comply with its responsible lending obligations. There had been no default, previous history of default or arrears, or evidence of financial hardship in relation to the loan.

### Outcome

The AFCA decision maker considered all circumstances of the case, including the complainant's long-term use of redraw without previous issue, and the financial firm's lack of disclosure at any stage about its redraw discretion since the original loan contract, and terms and conditions issued to the complainant in 2006. The decision maker also considered general community expectations about the accessibility of redraw facilities and the complainant's previous use of the redraw facility without any objection by the financial firm.

The decision maker concluded that, in the absence of disclosure and reasonable notice to the complainant about the decision to restrict redraw, the financial firm should have reasonably foreseen the risk of the complainant entering into commitments in reliance on redraw – and the resulting risk of hardship and loss. The decision maker found that responsible lending laws do not require a financial firm to complete a fresh credit assessment before allowing a customer to access redraw.

Although the complainant was not able to establish financial loss, on the basis of information provided, the decision maker accepted he suffered significant stress, upset and inconvenience as a result of the financial firm's conduct and awarded non-financial compensation.

### Significance

A financial firm's right to exercise terms and conditions in a contract is not unfettered. AFCA will consider whether a firm has exercised its discretion in a fair and reasonable manner and in compliance with its other obligations at law. We may consider whether the financial firm provided reasonable notice of the exercise of discretion where it materially impacts a customer. We will also consider any relevant codes and all the circumstances of the complaint, including the impact on a customer of the financial firm's decision.

# Buy now pay later

**1,668** complaints received

**1,496** complaints closed

**69%** resolved at Registration and Referral stage

### Stage at which BNPL complaints closed

| Stage | 2022–23 |
|---|---|
| At Registration | 1,032 |
| At Case Management | 350 |
| At Rules Review | 84 |
| Preliminary Assessment | 17 |
| Decision | 13 |

### Top five BNPL complaint issues (received)

| Issue | Total |
|---|---|
| Unauthorised transactions | 218 |
| Credit enquiry | 177 |
| Service quality | 150 |
| Financial firm failure to respond to request for assistance | 135 |
| Incorrect fees/costs | 117 |

### Time taken to close BNPL complaints

| Time | 2022–23 |
|---|---|
| Closed in 0–30 days | 561 |
| Closed in 31–60 days | 614 |
| Closed in 61–180 days | 297 |
| Closed in 181–365 days | 24 |
| Closed in in more than 365 days | 0 |

## Key insights

- Buy now pay later (BNPL) complaints rose 57% from 1,064 in 2021–22 to 1,668 in 2022–23. AFCA is closely monitoring complaint trends in this area, given the recent increase in complaints.
- BNPL providers are currently subject to less onerous legal obligations than other credit providers, meaning there is less scope for legal breaches that may give rise to complaints, and fewer requirements around the collection and reporting of complaints. BNPL providers are also not required to be AFCA members, so AFCA's complaints data in this area is not representative of the entire industry.
- BNPL products and their providers are expected to be the subject of new regulation in the near future. At present, regulation of BNPL is comparatively lighter than for credit products, including that a firm can provide BNPL services in Australia without being a member of AFCA. Some BNPL providers are members of AFCA on a voluntary basis and others are not. Complaint collection and handling practices vary widely between providers. BNPL transactions are also typically smaller amounts, which resolve earlier in the AFCA process.

BNPL complaints rose 57% in 2022–23. AFCA closed 1,032, or 69%, at the initial Registration and Referral stage, with an average closure time of 48 days. The main complaints in descending order were unauthorised transactions (218 or 13%), credit enquiries (177 or 11%), and service quality (150 or 9%).

The increase in BNPL complaints this year, suggests this will be an area requiring more focus in the current and future financial years. Similar to other credit-related complaints at AFCA, this increase reflects ongoing cost-of-living pressures as consumers seek alternative lines of credit to navigate stretched budgets. As with all credit providers, we hope to see BNPL firms actively considering requests for hardship assistance to support vulnerable customers.

The growing popularity of BNPL products and the subsequent increase in complaints to AFCA also underline the importance of the Australian Government's plan to regulate BNPL under the *National Consumer Credit Act 2009* (Cth). AFCA welcomes the Government's proposal to enhance the regulation of BNPL, and will look to operationalise any change required in our membership or process. Some BNPL providers seek to meet credit provider obligations already, and we encourage firms to consider uplifting their internal dispute resolution and other processes ahead of any regulatory change.

**"Despite the complexity of the case and the challenges we faced, my case worker remained patient, understanding and determined to assist me every step of the way."**

*- Feedback from a consumer*

*Case study*

# Hardship obligations and BNPL products

### Background

The complainant had a buy now pay later (BNPL) account with a financial firm that was closed due to an unpaid outstanding balance. Her complaint to AFCA centred on concerns that when the account was active, she was homeless and did not have a job due to experiencing domestic violence.

The complainant had contacted the financial firm to raise concerns about the amounts owing on the account (on the basis they were incurred by her ex-partner), and said she was advised the account would not be suspended if she made payments towards it.

### The BNPL obligations

The account is not a regulated credit facility and, therefore, is not subject to the National Consumer Credit Act. However, under the BNPL Code, the financial firm had obligations to:

- focus on its customers and their needs
- be fair, honest and ethical in its dealings with its customers
- act with transparency and keep its customers informed about its products and services
- treat customers fairly, respectfully and consider their specific circumstances if they are experiencing financial hardship
- train its staff to identify signs of vulnerability, such as where there may be mental health illness or issues, or domestic and family violence concerns.

### Complaint outcome

In a Preliminary Assessment, AFCA found the financial firm was entitled to suspend the BNPL account. However, AFCA's case worker found that the financial firm breached the Debt Collection Guideline and its BNPL obligations, as follows:

### Debt Collection Guidelines

Under clause 13 of the Debt Collection Guidelines, financial firms have an obligation to cease collection on a debt where there is disputed liability.

AFCA found that the financial firm was reasonably on notice that the complainant was disputing some of the debt. This was supported by the financial firm's own call notes, which stated: 'Advice orders were made by ex-partner.' Therefore, until it had made further enquiries, the firm should have ceased collecting money owed. AFCA concluded the firm had not done so, Evidence from the financial firm revealed a payment plan to the complainant without reviewing the claim of disputed liability.

### BNPL obligations

AFCA found the financial firm failed to comply with BNPL obligations as it did not appropriately consider or explore the complainant's specific circumstances when hardship was raised. The financial firm's call notes explicitly stated that the complainant was unemployed, but the firm failed to make adequate enquiries into her ongoing financial position and instead offered her a payment plan, which the complainant felt compelled to agree to, without exploring the complainant's ability to meet the repayments.

AFCA found the financial firm failed to act in a fair and reasonable manner by not considering the complainant's specific circumstances and vulnerabilities. There were indicators that should have prompted the firm to take steps to better understand and handle her situation with more care.

### Outcome

AFCA awarded $1,500 in non-financial compensation to the complainant for stress and inconvenience.

# Scam complaints

**6,048** complaints received

**5,354** complaints closed

**59%** resolved at Registration and Referral stage

### Top three scam complaint products (received)

| Product | Total |
|---|---|
| Personal transaction accounts | 3,469 |
| Credit cards | 834 |
| Electronic banking | 634 |

### Stage at which scam complaints closed

| Stage | 2022–23 |
|---|---|
| Registration and Referral | 3,133 |
| Case Management | 1,585 |
| Rules Review | 260 |
| Preliminary Assessment | 182 |
| Decision | 194 |

### Time taken to close scam complaints

| Time | 2022–23 |
|---|---|
| Closed in 0–30 days | 2,218 |
| Closed in 31–60 days | 1,113 |
| Closed in 61–180 days | 1,575 |
| Closed in 181–365 days | 361 |
| Closed in in more than 365 days | 87 |

## Key insights

- AFCA continues to see a significant volume of complaints involving scams.
- Consumers who fall victim to scams suffer financially and emotionally, and the outcomes can be devastating.
- As scams continue to evolve, AFCA is working closely with industry, regulators and governments to keep our approaches to this dynamic space aligned, and to ensure we help consumers and financial firms resolve complaints efficiently and fairly.
- As we evolve our understanding and approach, definitions of scam and fraud will become clearer. Currently, AFCA classifies all types of scams and fraud as scams.

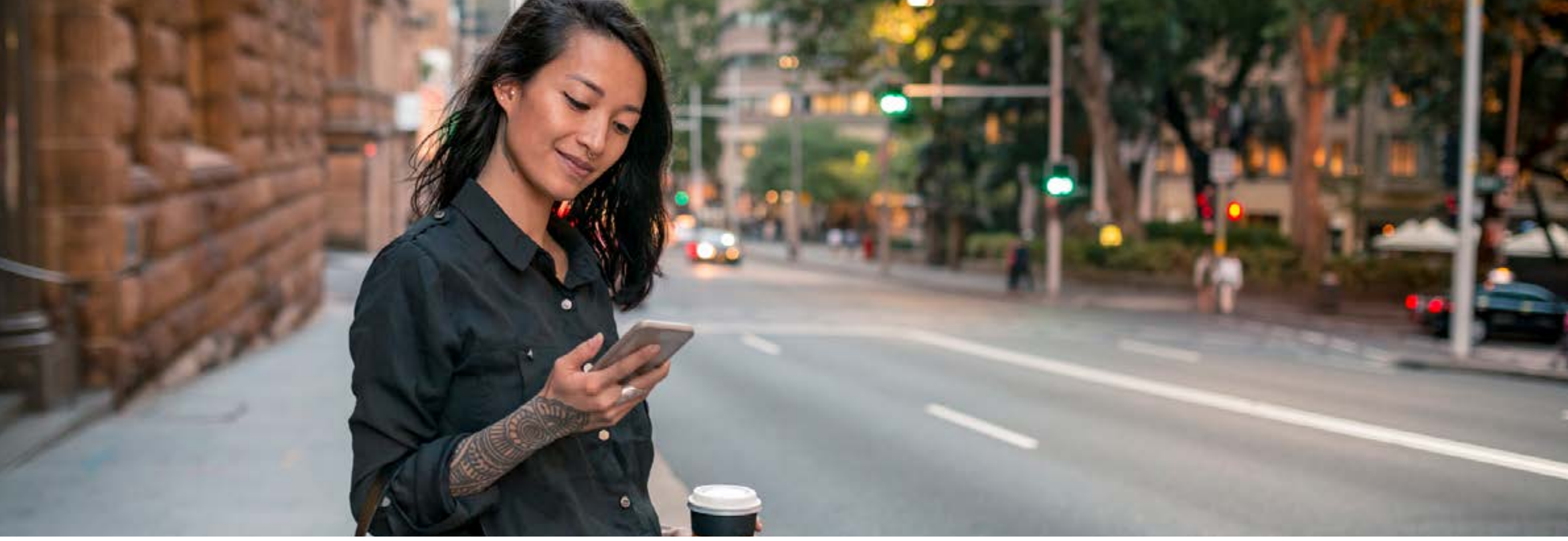
From 1 July 2022 to 30 June 2023, AFCA received 6,048 scam-related complaints and closed 5,354. Most of the complaints (59%) were closed at the Registration and Referral stage. At the Case Management stage, we closed 1,585, or 30%. Around 5% of scam complaints, or 260, were closed at the Rules Review stage. We closed just over 3%, or 182, at the Preliminary Assessment stage. The Decision stage saw 194 complaints, or 4% of the total, closed.

The main products relating to scam complaints were personal transaction accounts (3,469 complaints) and then credit cards (834). We received 146 complaints relating to business transaction accounts.

Scams are often perpetuated by sophisticated international organised crime syndicates. In the past, most scams involved the unauthorised removal of funds from consumers' bank or credit card accounts without their knowledge. We continue to see the scammers behind such unauthorised transactions adapt to new products and technologies. Separately, there has been growth in scam transactions where consumers are persuaded by scammers to authorise payments. Typically, authorised scams involve investments, romance and buyer/seller transactions. The most common type of scam continues to involve investments – particularly in cryptocurrencies.

Complaints to AFCA tend to be a lag indicator of trends in different types of scams, given the time it can take for consumers to realise they've been scammed and to complain about it. However, some scams we have been seeing point to increased sophistication and evolution of scams. Specifically, AFCA is seeing increasing numbers of 'phishing' and identity spoofing scams. A typical example would involve a consumer responding to an SMS purporting to be from their bank, clicking on a link to a fake bank site and being asked to enter their internet banking details.

Consumers are also falling victim to scammers who have collected data about them from various sources. Recent examples include scammers fraudulently collecting information about a person and loading it into a digital wallet on the scammer's phone.



*Case study*

# Digital wallets

### Background

The complainant received a text message stating she had an outstanding toll road invoice. She clicked on a link that took her to what she thought was the legitimate toll road operator's website. Then she entered her credit card details to pay the invoice.

The website was fake and was used to harvest the complainant's credit card details and a one-time password (OTP), which the complainant thought was needed to authorise the toll payment. This enabled the scammer to load the credit card as a digital card onto their own mobile phone.

Shortly after, the scammer used their mobile phone to make 16 transactions of $1,000 each at well-known retail stores. No further PIN or pass code was required to make the disputed transactions. The complainant reported the disputed transactions to her financial firm the following day.

The financial firm said the complainant had authorised the disputed transactions because, by allowing the scammer to add the credit card details to the digital wallet, she must have disclosed the OTP.

### Findings and outcome

The ombudsman found the disputed transactions were unauthorised. This meant the liability provisions of the ePayments Code (the Code) applied. Under clause 10.2 of the Code, a card holder is not liable for unauthorised transactions that are made using an 'identifier' without a 'pass code' or a 'device'.

A digital card is an 'identifier' and the disputed transactions did not require a pass code or device. The mobile phone onto which the digital card was loaded was not a device as defined by the Code. Therefore, under clause 10.2 of the Code, the financial firm was liable for the disputed transactions.

The financial firm said the complainant breached the pass code security requirements of the Code, which requires card holders not to disclose pass codes that are needed to perform transactions (clause 12.1). The financial firm said the complainant must have disclosed the OTP to enable the credit card to be added to the digital wallet.

The ombudsman found the complainant did not knowingly disclose the OTP to the third party. She thought she was engaging with a legitimate website to authorise a payment. The OTP was not a pass code needed to 'perform a transaction'. The Code distinguishes between pass codes needed to perform transactions and pass codes needed to authenticate users (which the OTP arguably did). A card holder is only liable if they disclose pass codes needed to perform transactions.

# Financial difficulty complaints

## Demographics of people in financial difficulty

Between 1 July 2022 and 30 June 2023

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

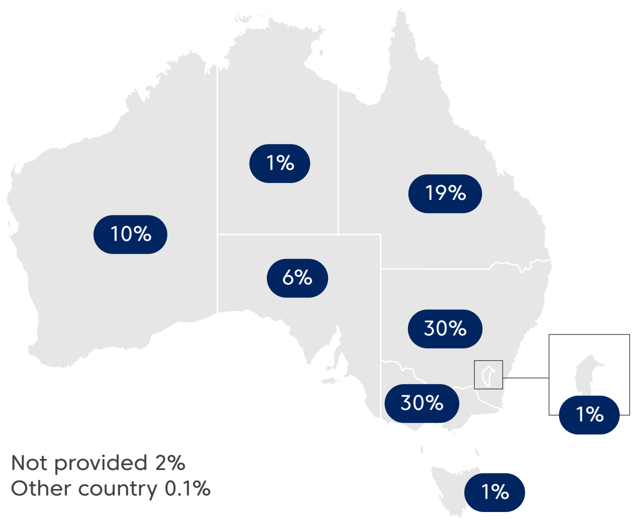
**5%** were represented by a financial counsellor

**85%** of complainants lodged online

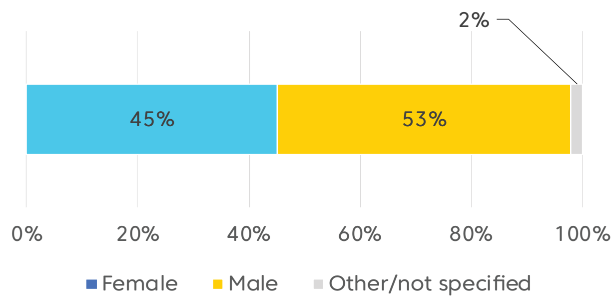
**1%** of complainants requested interpreting language services

**6%** of complainants identified as Aboriginal or Torres Strait Islander peoples

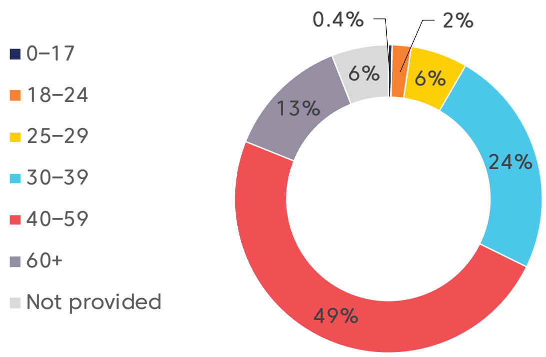
### Complaints received by state and territory




### Complaints received by gender of complainant




### Complaints received by age



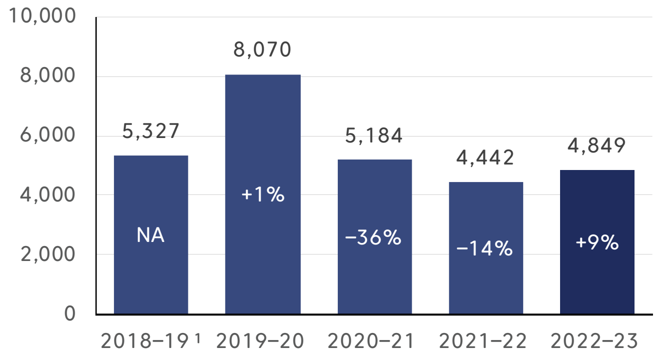
# Financial difficulty complaints

Between 1 July 2022 and 30 June 2023

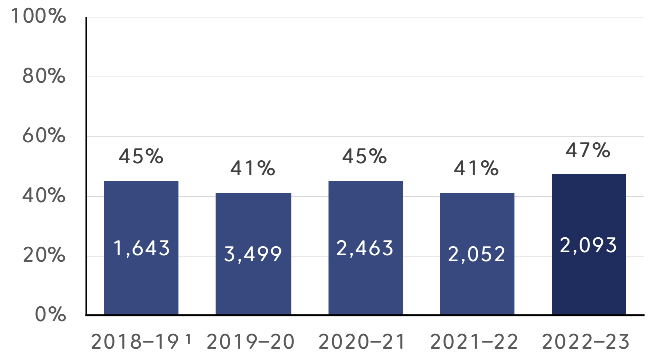
**4,849** complaints received

**47%** 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 |
|---|---|
| Home loans | 1,504 |
| Personal loans | 1,489 |
| Credit cards | 785 |
| Business loans | 357 |
| Line of credit/overdraft | 156 |

### Top five financial difficulty complaints received by issue

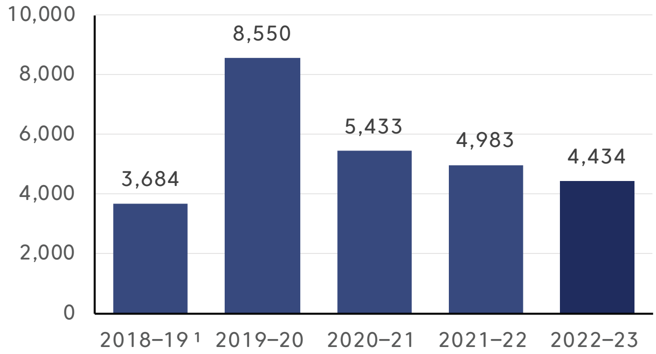
| Issue | Total |
|---|---|
| Financial firm failure to respond to request for assistance | 2,821 |
| Decline of financial difficulty request | 1,074 |
| Request to suspend enforcement proceedings | 550 |
| Default notice | 338 |
| Default judgment obtained | 198 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

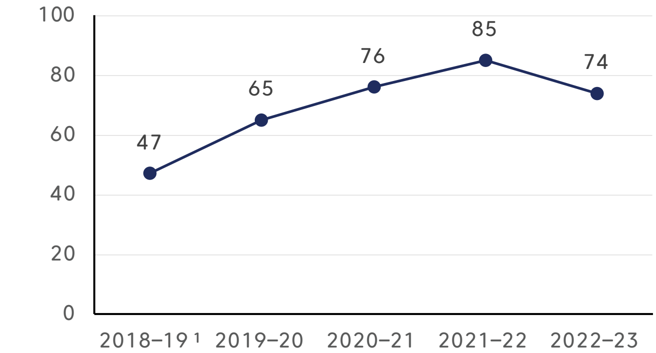
**4,434** complaints closed

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

### Financial difficulty complaints closed




### Average time to close a financial difficulty complaint in days [2]




### Stage at which financial difficulty complaints closed

| Stage | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| At Registration | 1,643 | 3,499 | 2,463 | 2,052 | 2,093 |
| Case Management | 1,418 | 3,677 | 1,997 | 1,891 | 1,451 |
| Rules Review | 569 | 682 | 364 | 431 | 420 |
| Preliminary Assessment | 51 | 408 | 286 | 294 | 226 |
| Decision | 3 | 284 | 323 | 315 | 244 |

### Time taken to close financial difficulty complaints

| Time | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Closed in 0–30 days | 1,511 | 2,309 | 1,388 | 1,174 | 1,054 |
| Closed in 31–60 days | 1,649 | 3,005 | 1,751 | 1,454 | 1,457 |
| Closed in 61–180 days | 522 | 2,647 | 1,739 | 1,799 | 1,495 |
| Closed in 181–365 days | 2 | 483 | 390 | 379 | 311 |
| Closed in in more than 365 days | 0 | 106 | 165 | 177 | 117 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] This excludes complaints that were inactive for an extended period, for example complaints that were paused because the financial firm was insolvent or due to court proceedings, and complaints that were previously closed and re-opened.

## 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 when due.

Sickness, unemployment, over-commitment, separation, 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.

AFCA receives complaints about financial firms:

- 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

Despite complaints increasing only moderately in 2022–23, financial difficulty is an emerging area of concern as economic conditions worsen.

While the number of financial difficulty complaints to AFCA was just 9% higher than in the previous full year, the impact of rising interest rates and cost-of-living pressures became increasingly evident in the final quarter of 2022–23. During this time hardship complaints were up 31% compared with the same period in the prior year.

In this worsening environment, it is critical that financial firms proactively engage with consumers and small businesses in hardship, and manage their concerns and complaints. This includes meeting their obligations to consider and respond to requests for help from consumers experiencing hardship.

Pleasingly, a number of banking and finance sector firms are already focused on forecasting and responding to expected increases in financial difficulty. However, the approach to financial difficulty does appear to differ between firms. AFCA is closely tracking financial difficulty complaint patterns to identify areas in which financial firms are not meeting expectations. AFCA continues to urge firms to communicate openly and regularly with their customers.

Responding to customers in times of hardship is a key obligation for some AFCA members. Yet failure by some financial firms to even respond to requests to consider hardship remains too common. It is the top reason for complaints to AFCA in this category. These instances are particularly disappointing when those requesting hardship are experiencing some form of vulnerability.

Case study

# Offering hardship assistance on a home loan

### Background

The complainant and his wife had a joint home loan with the financial firm, which was secured by a mortgage over their home.

The complainant had previously lodged a complaint with AFCA questioning whether the financial firm had met its financial hardship obligations, and whether it had applied interest and fees to the home loan correctly. AFCA issued a determination on this previous complaint, providing a variation to the home loan, which included capitalising outstanding arrears and extending the loan term. This allowed the complainant to keep the home if they continued to make the required repayments. The complainant accepted this determination.

Subsequently, the complainant lodged another complaint with AFCA about further financial hardship caused by mortgage stress following several interest rate increases. In this instance, the complainant raised concerns that the financial firm was requiring higher loan repayments than what was prescribed in the previous AFCA determination.

### Findings and outcome

AFCA found the financial firm had not breached the terms of the previous determination, saying it was entitled to increase the monthly loan repayments (in accordance with the loan contract) on each occasion the interest rate increased, and that the firm had notified the complainant of the increased monthly repayments. AFCA was also satisfied the financial firm met its further hardship obligations after the previous AFCA determination because it:

- recognised the complainant was experiencing further financial hardship shortly after the determination was issued due to mortgage stress related to interest rate rises
- requested supporting financial information from the complainant where necessary
- provided genuine consideration to the complainant's further hardship requests
- worked with the complainant to assist them to overcome their financial hardship following the previous AFCA determination
- offered appropriate hardship assistance and refrained from commencing enforcement action (following the previous AFCA determination) for more than two years to assist them to overcome their financial hardship.

AFCA found the complainant had experienced long-term financial hardship, and the financial firm continued to engage with and assist the complainant after the previous AFCA determination was issued. As the financial information the complainant provided to AFCA showed they could make their loan repayments again, AFCA agreed it was appropriate to give the complainant a final opportunity to keep the home, including by capitalising the outstanding arrears if the complainant could service the loan for six months.

### The importance of working with customers

This case study highlights the importance of financial firms working with customers over long periods to help them keep their homes in times of hardship. It also recognises that a financial firm's hardship obligations are ongoing, and include further obligations if customers experience additional hardship events (even where the firm has previously provided a suitable hardship response or AFCA has dealt with the matter).

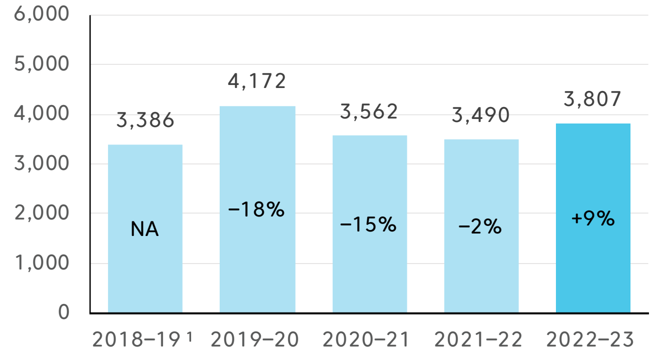
# Small business complaints

Between 1 July 2022 and 30 June 2023

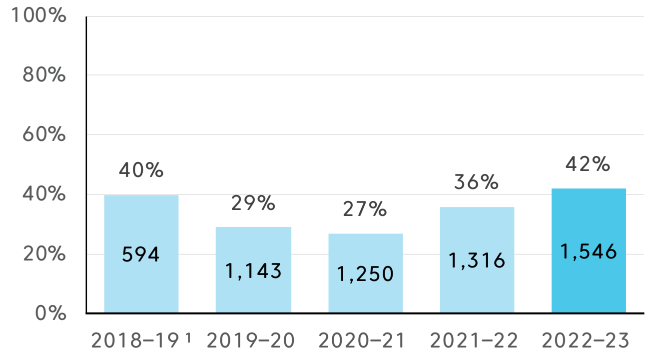
**3,807** complaints received

**42%** 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[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Business loans | 847 | 1,544 | 1,419 | 1,441 | 1,347 |
| Business transaction accounts | 313 | 507 | 641 | 800 | 1,002 |
| Commercial property | 146 | 221 | 230 | 276 | 374 |
| Business credit cards | 128 | 207 | 192 | 201 | 304 |
| Commercial vehicles | 62 | 145 | 101 | 120 | 153 |

### Top five small business complaints received by issue

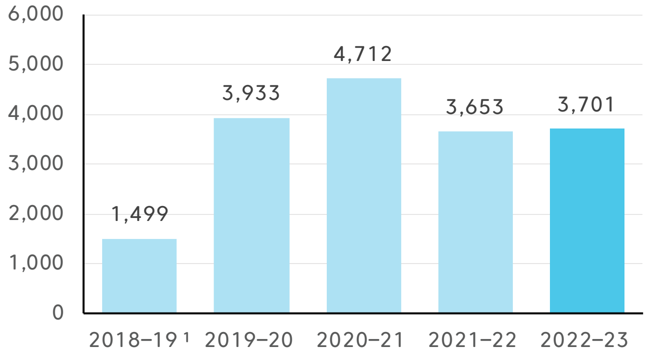
| Issue | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Service quality | 93 | 170 | 300 | 389 | 309 |
| Unauthorised transactions | 127 | 176 | 194 | 185 | 299 |
| Financial firm failure to respond to request for assistance | 166 | 320 | 326 | 282 | 268 |
| Denial of claim – exclusion/condition | 93 | 160 | 227 | 172 | 225 |
| Claim amount | 97 | 142 | 130 | 131 | 200 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

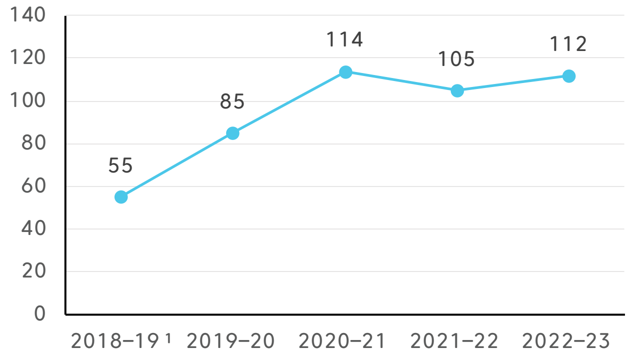
**3,701** complaints closed

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

### Small business complaints closed




### Average time to close a small business complaint in days [2]




### Stage at which small business complaints closed

| Stage | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| At Registration | 594 | 1,143 | 1,250 | 1,316 | 1,546 |
| Case Management | 399 | 1,253 | 2,030 | 1,008 | 1,183 |
| Rules Review | 388 | 752 | 568 | 629 | 424 |
| Preliminary Assessment | 79 | 376 | 342 | 261 | 210 |
| Decision | 39 | 409 | 522 | 439 | 338 |

### Time taken to close small business complaints

| Time | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Closed in 0–30 days | 407 | 780 | 624 | 771 | 827 |
| Closed in 31–60 days | 530 | 1,079 | 903 | 942 | 981 |
| Closed in 61–180 days | 543 | 1,556 | 1,509 | 1,331 | 1,240 |
| Closed in 181–365 days | 19 | 449 | 488 | 392 | 374 |
| Closed in in more than 365 days | 0 | 69 | 1,188 | 217 | 279 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] This excludes complaints that were inactive for an extended period, for example complaints that were paused because the financial firm was insolvent or due to court proceedings, and complaints that were previously closed and re-opened.

## About AFCA's small business jurisdiction

AFCA defines a small business as an organisation with fewer than 100 employees when the alleged act or omission by the financial firm happened.

A small business can be an individual (such as a sole trader), partnership or a company (whether a primary production business or otherwise), including in a trustee capacity. We will consider complaints from not-for-profit organisations or clubs that aren't registered charities. If they carry on a business, it must have fewer than 100 employees.

An incorporated trustee must be carrying on a small business unless it is a self-managed superannuation fund (SMSF) or Family Trust. If those do carry on a business, it must be a small business.

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

AFCA small business complaints are handled by two dedicated Case Management teams and specialist ombudsmen.

## Key insights

- Complaints by small businesses to AFCA increased slightly in 2022–23 – up 9% from 3,490 to 3,807.
- We have not seen the expected increase in financial difficulty complaints despite small businesses experiencing increases in interest rates and other cost rises, including for utilities.

The top three most complained about issues among small business complaints in 2022–23 were service quality (309 or 8%), unauthorised transactions (299 or 8%), and financial firms not responding to assistance requests (268 or 7%).

We also saw more complaints involving interpretation of loan terms and conditions, expiry and interest rates including claims of incorrect application of rates or representations around rates. The main product type involved continues to be business loans. There has also been an increase in recent years in denial of insurance and exclusion of claims in insurance.

Over the financial year, AFCA closed 3,701 small businesses complaints. The average time for each was 112 days, up from 105 last year. The additional time taken to clear cases is indicative of the increasing complexity of these complaints.

We closed 1,546, or 42%, at the initial Registration and Referral stage and 1,183, or 32%, at Case Management stage. We had only 338, or 9%, reach the Decision stage.

*Case study*

# Small business lending

### Background

The complainant guaranteed two business loans provided by the bank. The loans were provided to separate companies controlled by the complainant and her husband.

The complainant and her husband incorporated the companies before the loans were made and caused each of them to enter into separate asset purchase agreements. Under those agreements, each company purchased a retail business in neighbouring suburbs of a large city. The complainant was a shareholder of each company and her husband was the sole director of each company.

The bank provided loans to each company, to assist them acquire business assets. Each company provided personal property security to the bank, and the complainant provided a guarantee for the loans, with a mortgage of her residence in support.

The complainant's husband managed the business operated by each company.

However, each business did not go well and after 18 months each company sold their business at a loss. The complainant and her husband alleged each vendor (of the original businesses sold to each company) breached their non-compete obligations and commenced competing businesses nearby. Each company commenced court proceedings against each vendor, but with no success.

### The complaint

The bank required repayment of the loans and called on the guarantees. The complainant said that if the bank had complied with its obligation under the former Code of Banking Practice in force when the loans were made and the guarantee provided, and properly assessed each loan, then it would not have provided the loans and so her guarantees should not be enforced against her.

The complainant said the bank should have done more due diligence on the vendors. She also said the bank owed her a fiduciary duty to ensure the loan proposals and asset purchases were reasonable.

The bank said the cause of each company's loss, and so the cause of the complainant's guarantee being called on, was the vendors of the relevant assets. It was the poor behaviour of those vendors that was the cause of any loss.

### AFCA investigated the complaint

As a subscriber to the former Code of Banking Practice, the bank was required to exercise the care and skill of a diligent and prudent banker in selecting and applying its credit assessment methods to the loan application, and in forming its opinion the loan could be repaid. It owed this duty to the borrower and also to each guarantor.

In advance of the asset purchases, the complainant obtained, from each vendor, financial statements for each business for the year ending 18 months earlier, along with interim management-prepared sales figures for each business for the nine months prior to the sale. The complainant's husband passed that financial information on to the bank. The complainant's husband also prepared cash flow forecasts for each business, which were reviewed by his accountant, and then provided them to the bank.

Each borrowing company had no financial history given they were incorporated immediately prior to each loan and business purchase. The bank reviewed the financial information from each vendor, the cash-flow forecasts from the complainant, as well as the personal history of both the complainant and her husband. The complainant's husband had previously been operating a business, but not a retail business of this type. This was a new venture for him.

AFCA reviewed the bank's analysis of each loan proposal and concluded that the bank did not assess each loan proposal with sufficient due care and skill under the 'diligent and prudent' lender clause of the Code of Banking Practice.

AFCA reached that conclusion because:

- The borrowers were new bank customers, seeking an aggregate amount of over $1 million.
- They were purchasing a business that was a new type of business for them.
- They sought to borrow 100% of the purchase price, relying solely on the cash flow of each business for repayment (even if they had a security property in support, via the guarantees).
- The cash-flow forecasts were not accompanied by key assumptions.
- The gross margin in the forecasts was higher than in the prior sales figures, without an explanation. The bank should have questioned the complainant's husband as to why he thought he could achieve the gross profit margin increase (when he had no prior experience in the business type).
- Similarly, sales figures increased in the forecasts; whereas, salaries remained the same.
- There were other discrepancies, including that the opening stock figure for one year was carried forward from the opening stock figure for the prior year.

There were other errors and discrepancies in the bank's credit memorandum.

AFCA concluded that while the bank should have carried out some assessment of the proposed asset purchases, the primary obligation to conduct due diligence on the asset purchases rested on the complainant and her husband, not on the bank. The bank did not owe the companies, or the complainant and her husband, a fiduciary duty. Rather, AFCA concluded that the bank's obligation was to exercise a greater degree of care and skill than it did when assessing if the companies in question here could each repay their credit facilities.

AFCA concluded that even though there were a number of reasons the business failed, the guarantor still had a loss caused by the bank.

### Findings and outcome

AFCA decided that the bank did not comply with the obligation it owed to each company to diligently and prudently assess their loan applications.

That was an obligation the bank also owed to the complainant, as guarantor, under the wording of the relevant Code of Banking Practice. As the loans should not have been provided by the bank, AFCA concluded that the bank should not be entitled to rely on the guarantee from the complainant.

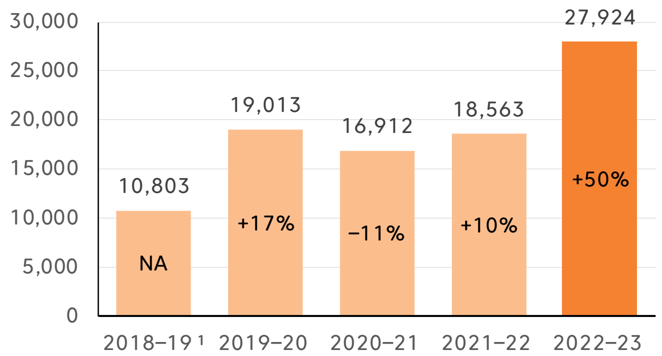
# General insurance complaints

Between 1 July 2022 and 30 June 2023

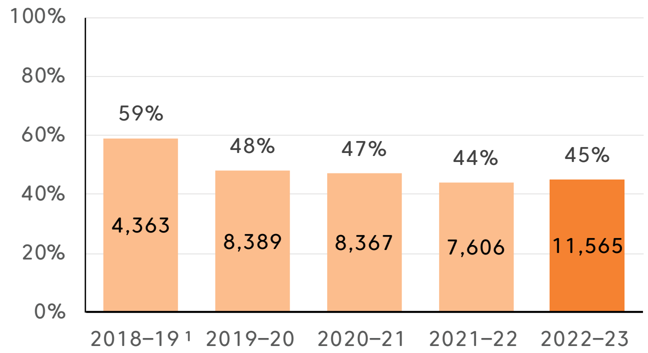
**27,924** complaints received

**45%** 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[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Home building | 1,887 | 3,616 | 3,527 | 6,120 | 9,592 |
| Motor vehicle – comprehensive | 2,680 | 4,104 | 4,386 | 5,791 | 8,296 |
| Consumer credit insurance | 96 | 723 | 506 | 951 | 1,951 |
| Travel | 1,029 | 3,168 | 2,477 | 532 | 1,679 |
| Home contents | 478 | 946 | 1,079 | 1,289 | 1,565 |

### Top five general insurance complaints received by issue

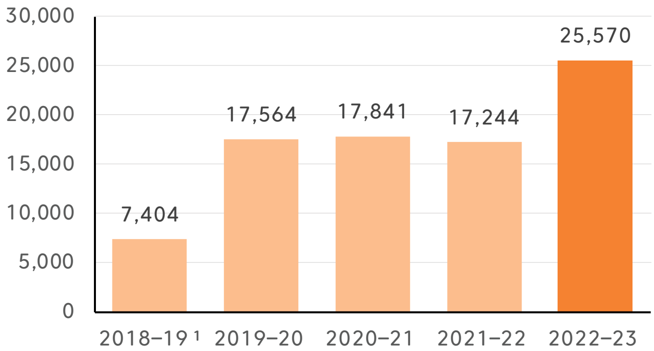
| Issue | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Delay in claim handling | 2,023 | 3,521 | 3,126 | 4,804 | 7,953 |
| Claim amount | 1,989 | 3,171 | 3,161 | 3,747 | 5,720 |
| Denial of claim – exclusion /condition | 1,667 | 3,032 | 3,146 | 3,111 | 4,733 |
| Denial of claim | 1,366 | 2,337 | 2,479 | 2,125 | 3,048 |
| Service quality | 666 | 1,353 | 1,164 | 1,503 | 1,869 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

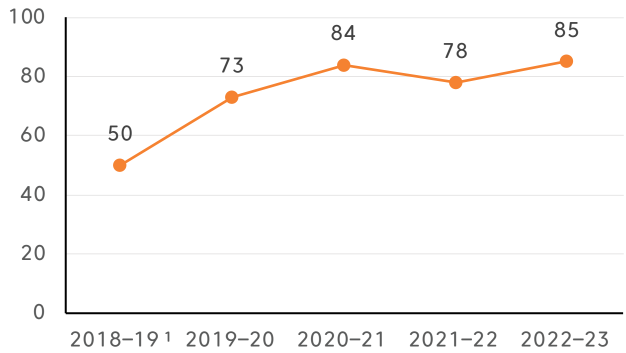
**25,570** complaints closed

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

### General insurance complaints closed




### Average time to close a general insurance complaint in days [2]




### Stage at which general insurance complaints closed

| Stage | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| At Registration | 4,363 | 8,389 | 8,367 | 7,606 | 11,565 |
| Case Management | 1,381 | 3,745 | 4,330 | 3,984 | 7,297 |
| Rules Review | 771 | 1,440 | 1,350 | 1,700 | 1,708 |
| Preliminary Assessment | 570 | 2,046 | 1,669 | 1,707 | 2,456 |
| Decision | 319 | 1,944 | 2,125 | 2,247 | 2,544 |

### Time taken to close general insurance complaints

| Time | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Closed in 0–30 days | 2,217 | 4,002 | 3,684 | 4,089 | 4,982 |
| Closed in 31–60 days | 3,045 | 6,162 | 5,324 | 5,529 | 8,403 |
| Closed in 61–180 days | 2,076 | 5,793 | 6,863 | 5,742 | 9,072 |
| Closed in 181–365 days | 66 | 1,525 | 1,786 | 1,556 | 2,726 |
| Closed in more than 365 days | 0 | 82 | 184 | 328 | 387 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] This excludes complaints that were inactive for an extended period, for example complaints that were paused because the financial firm was insolvent or due to court proceedings, and complaints that were previously closed and re-opened.

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

- Complaint numbers over the past five years have been getting progressively larger, indicating the growing importance of our role in resolving insurance disputes.
- Interestingly, these heightened complaint volumes weren't primarily tied to claims from major events, but stemmed from 'business as usual' insurance claims.

This year, AFCA received 27,924 general insurance complaints, which is a 50% increase on last year. We closed 25,570 complaints in total, an increase on last year's 17,244 cases. In 2022–23, 45%, or 11,565 complaints, were closed at the Registration and Referral stage. On average, we took 85 days to close a complaint.

The highest number of general insurance complaints by product were home building insurance at 9,592, or 34%, comprehensive motor vehicle insurance with 8,296 complaints, or 30% of the total, and consumer credit insurance at 7%, or 1,951. Travel insurance complaints were slightly lower at 6%, or 1,679 complaints. Home contents insurance complaints made up 6%, or 1,565 complaints.

The top three issues complained about were claim handling delays (7,953 or 28%) – this was a 66% increase over 2021–22. Next were claim amount complaints (5,720 or 20%) – a 53% increase over last year. Denials of claims due to exclusions or conditions made up 17%, or 4,733 of the total complaints for the year.

AFCA closed a total of 25,570 general insurance complaints. At the Registration and Referral stage 11,565 (45%) were closed. This stage has averaged 8,627 complaints over the past five years. We closed 7,297 (29%) complaints at the Case Management stage or 29%. This was an 83% increase over last year. The Rules Review stage closed 1,708 (7%) complaints. The Preliminary Assessment stage closed 2,456 (10%) complaints and the final Decision stage closed 2,544 (10%) complaints.

### Significant increase in insurance complaints and declining insurer performance

This year, we saw a marked increase in general insurance complaints. There was a notable increase in complaints about insurers' services, along with a general increase in other areas such as claim denials. Interestingly, these high complaint volumes weren't primarily linked to claims from severe weather events and natural disasters like floods, but they stemmed from 'business as usual' claims. This is likely due to a range of issues including the industry shifting resources to handle the surge of claims from significant weather events, leading to further delays. Issues with supply chains affected by international events also led to delay in claims handling. These delays resulted in increased complaints about insurers' services, primarily driven by ineffective communication with policy holders.

In 2022–23, we also saw a notable decline in performance by industry to address and resolve complaints before they reached AFCA, or in the early stages of the AFCA process. Insurers were also less responsive in their interactions with AFCA, as reflected in the rise of overdue responses, extension requests and non-responses to AFCA.

We acknowledge there has been a range of environmental factors that have created challenges for the sector. However, we have seen a sustained level of complaints that have continued now for more than 12 months, and which do not look to be slowing. Reference is often made to natural disasters as one-off events. However, the reality of climate change means these events will likely become more common. Being able to juggle 'business as usual' claims with natural disasters must be part of the way we all work.

### Working with insurers

AFCA has worked closely with the insurance sector over the past year to encourage earlier complaint resolution and better response rates. We regularly provide feedback to insurers, including our concerns about where we think performance can be improved. We also regularly share complaints data to help the industry improve its practices and performance.

We share what we hear from consumers, such as their frustration at not being able to easily contact their insurer, and dealing with uncertainty about wait times, claim progress and outcomes. While some delays are inevitable when there is pressure on scarce supplies and labour, maintaining consistent and informative communication with customers helps the customer recover earlier from often traumatic events. It also reduces the risk of complaints and helps with earlier resolution of complaints when they do occur.

In May 2023, we co-chaired an industry roundtable with the Insurance Council of Australia to raise our concerns about the rise in general insurance complaints, and to work with the insurance sector to find constructive and long-term solutions to help minimise disputes and create a better customer experience in IDR and EDR practice. This roundtable was attended by executive members of the large insurers, as well as representatives from regulators ASIC and APRA.

AFCA will continue this work in 2023–24. Together, we are confident we can find sustainable solutions to reduce the number of general insurance complaints lodged at AFCA, which will benefit both consumers and general insurers.

*Case study*

## Flexi Hoses

### Background

The complainant lodged a home and contents insurance claim after a flexi hose under their bathroom sink burst. The insurer declined the claim saying the damage was caused by rust, corrosion, wear, tear and gradual deterioration, which had weakened the hose causing it to burst. Claims for damage caused by wear, tear and gradual deterioration were not covered under the policy.

### Findings and outcome

The panel accepted there was rust or corrosion on the flexi hose. However, the insurer's expert evidence fell short of establishing that the rust or corrosion was the dominant reason for the hose bursting. The presence of rust or corrosion alone was not enough for the insurer to rely on the exclusion. Other alternate causes of the leak were just as plausible. The insurer had not demonstrated that the policy exclusion applied, and the insurer was required to accept the claim.

AFCA relies on expert panels to consider particularly complex complaints. The panel is made up of an AFCA ombudsman, and both a consumer and industry representative. Panel members are selected by our Board based on their objectivity, qualifications, experience and relevant personal qualities.

The outcome in this case demonstrates that when seeking to rely on expert evidence, insurers need to ensure the evidence includes the reasoning for reaching a particular conclusion. It should clearly demonstrate the causal link the insurer seeks to rely on. In this complaint, the panel was not persuaded by the brief report from the insurer's expert that it was reasonable to accept the proximate cause of the hose bursting was rust or corrosion.

## Business interruption insurance test cases

AFCA released its inaugural decisions on business interruption insurance complaints, which we had paused while we awaited the outcome of test cases to clarify policy wordings related to the COVID-19 pandemic.

The test cases involved insurers and businesses affected by COVID lockdowns including:

- an initial test case in the NSW Supreme Court
- a separate test case in the Federal Court
- an appeal of the full Federal Court
- an application to the High Court for special leave to appeal.

After the High Court declined to give special leave to appeal in October 2022, AFCA was able to finalise resolution of the cases we had placed on hold, except for those complaints related to class actions in the Federal Court.

Each AFCA decision was based on the specific details and context of the complaint, and took into account the decisions of the Courts in the test cases.

By 30 June 2023, AFCA had received 401 COVID-related business interruption insurance complaints since the start of the pandemic in 2020.

As at 30 June 2023, AFCA has now issued 24 decisions and resolved 220 complaints. This represents over half the COVID-related business interruption insurance complaints lodged with us. If we can't help the parties to reach agreement, the information relevant to the complaint is shared and the complaint is referred to an ombudsman to make a decision. Often these complaints are decided by a panel made up of an AFCA ombudsman, and both an industry and a consumer representative. About 117 of these complaints remain open. We have placed around 100 on hold until the class actions in the Federal Court that affect these complaints are finalised. We are keeping all parties informed about the status of these class actions.

# Significant events

## About significant events

AFCA has a response plan that we activate for significant events (e.g. natural disasters, severe weather) that are likely to lead to a large number of related complaints.

This plan provides for early communication with relevant stakeholders and a more streamlined, faster process for resolving related complaints.

To ensure we're appropriately handling these disputes, AFCA regularly engages with industry partners including ASIC, the Federal Treasury and APRA, as well as industry representative groups such as the Insurance Council of Australia (ICA).

As the climate continues to change, both in Australia and around the world, natural disasters such as floods and bushfires will become more common. In the last year alone, millions of Australians were affected by catastrophic events. These events not only destroyed homes, schools, businesses and critical infrastructure, but severely impacted hundreds of families and their communities.

AFCA often sees financial complaints after natural disasters. We track these complaints to share data and insights with our stakeholders. However, we know that behind each complaint is a person or family recovering from tragedy. To support complainants in vulnerable circumstances, we have special processes in place.

Over this financial year, AFCA responded swiftly to four significant events to help those in need. These included the following storm and flood events that affected:

- NSW in July 2022
- Victoria, NSW and Tasmania in October 2022
- Central West NSW in November 2022.

AFCA was also prepared to respond to the Newcastle hailstorm in May 2023. However, as at 30 June 2023, we had not received a complaint.

We kept oversight on the complaints resulting from the severe weather and flooding in South East Queensland and NSW in February 2022, which had been declared a 'significant event' by the ICA.

## Case study

### Background

The complainants lodged a home and contents claim after a severe weather event. The insurer declined part of the claim as it said it was caused by flood, which was excluded under the policy. The complainants said that all the internal damage was caused by stormwater entering the home before the floodwater entered the home. The complainants had cover for storm, rainwater or run-off.

### Findings and outcome

The panel reviewed the available evidence including the insurer's hydrologist report, and also eyewitness reports and photos provided by the complainants. On consideration of the evidence, the panel found that the hydrologist report did not state the time of the initial inundation, or its cause, and concluded that the insurer had not shown the disputed damage was first caused by flood water. The panel found that the damage was, on balance, sustained due to stormwater ingress before the home was affected by flood. The insurer had not established that the flood exclusion applied and, therefore, it must accept the disputed damage claim.

## NSW storms and floods – July 2022

As at 30 June 2023

**201** complaints received

**146** complaints resolved

**1** complaint related to financial difficulty

### Top five issues in complaints

| Issue | Total |
|---|---|
| Denial of claim exclusion/condition | 85 |
| Delay in claim handling | 59 |
| Claim amount | 48 |
| Denial of claim | 20 |
| Service quality | 7 |

Most complaints arising from the NSW storms and floods in July 2022, were about the denial of a claim due to an exclusion or condition (85 or 42%). For this event we received 201 complaints and resolved 146. Only one related to financial difficulty.

## Central West NSW storms and floods – November 2022

As at 30 June 2023

**6** complaints received

**1** complaint resolved

No complaints related to financial difficulty

### Top five issues in complaints

| Issue | Total |
|---|---|
| Denial of claim – exclusion/condition | 3 |
| Claim amount | 2 |
| Delay in claim handling | 1 |
| Denial of claim | 1 |
| NA | NA |

In November 2022, the Central West of NSW was affected by severe storms and floods. AFCA received six related complaints and resolved one. No complaints were associated with financial hardship. The main cause of complaint was denial of a claim due to an exclusion or condition (3 or 50%).

## VIC, NSW and TAS storms and floods – October 2022

As at 30 June 2023

**211** complaints received

**123** complaints resolved

**1** complaint related to financial difficulty

### Top five issues in complaints

| Issue | Total |
|---|---|
| Denial of claim – exclusion/condition | 70 |
| Delay in claim handling | 55 |
| Claim amount | 47 |
| Denial of claim | 35 |
| Service quality | 7 |

AFCA received 211 complaints arising from the storms and floods affecting Victoria, NSW and Tasmania in October 2022, and we resolved 123. Only one related to financial hardship. The main issue raised was the denial of claims due to an exclusion or condition (70 or 33%).

## South East QLD and NSW severe weather and flooding – February 2022

As at 30 June 2023

**2,468** complaints received (since being declared in February 2022)

**1,997** complaints resolved (since being declared in February 2022 to 30 June 2023)

**18** complaints related to financial difficulty (since being declared in February 2022)

### Top five issues in complaints (since being declared in February 2022)

| Issue | Total |
|---|---|
| Delay in claim handling | 858 |
| Denial of claim – exclusion/condition | 821 |
| Claim amount | 680 |
| Denial of claim | 164 |
| Service quality | 141 |

AFCA received 2,468 complaints and resolved 1,997 following the severe weather and flooding event that struck South East Queensland and NSW in February 2022. Only 18 complaints related to financial hardship. Delay in claim handling and the denial of a claim due to an exclusion or condition accounted for 858 (35%) and 821 (33%), respectively.

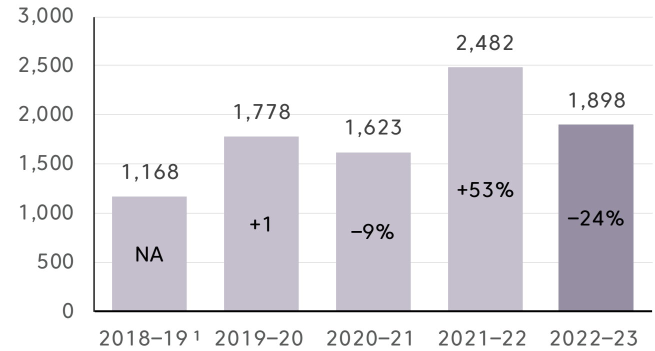
# Life insurance complaints

Between 1 July 2022 and 30 June 2023

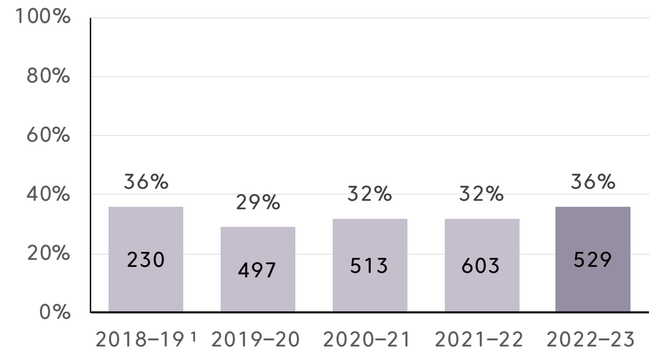
**1,898** complaints received

**36%** 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[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Income protection | 399 | 530 | 575 | 650 | 523 |
| Funeral plans | 103 | 162 | 169 | 880 | 441 |
| Term life | 183 | 331 | 290 | 359 | 347 |
| Total and permanent disability | 111 | 179 | 184 | 227 | 210 |
| Trauma | 95 | 144 | 115 | 120 | 93 |

### Top five life insurance complaints received by issue

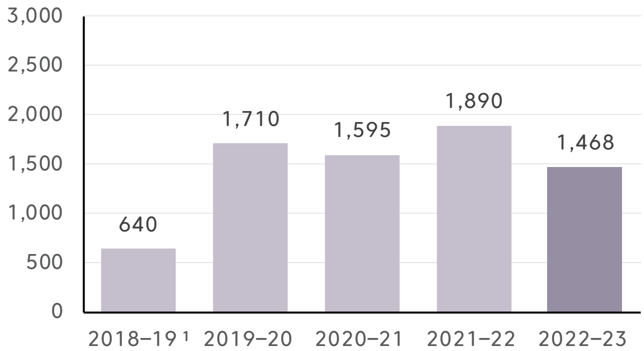
| Issue | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Misleading product/service information | 78 | 116 | 109 | 437 | 358 |
| Delay in claim handling | 98 | 155 | 172 | 204 | 245 |
| Incorrect premiums | 137 | 181 | 213 | 286 | 209 |
| Denial of claim | 140 | 270 | 212 | 171 | 145 |
| Service quality | 46 | 98 | 141 | 205 | 141 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

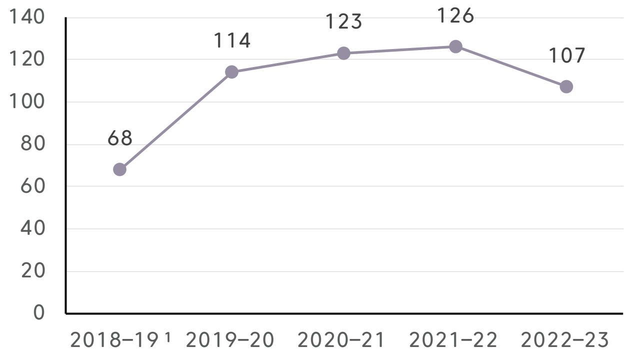
**1,468** complaints closed

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

### Life insurance complaints closed




### Average time to close a life insurance complaint in days [2]




### Stage at which life insurance complaints closed

| Stage | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| At Registration | 230 | 497 | 513 | 603 | 529 |
| Case Management | 188 | 621 | 473 | 505 | 534 |
| Rules Review | 136 | 151 | 104 | 186 | 125 |
| Preliminary Assessment | 65 | 232 | 225 | 213 | 132 |
| Decision | 21 | 209 | 280 | 383 | 148 |

### Time taken to close life insurance complaints

| Time | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Closed in 0–30 days | 98 | 173 | 154 | 222 | 197 |
| Closed in 31–60 days | 218 | 405 | 361 | 444 | 405 |
| Closed in 61–180 days | 311 | 769 | 715 | 781 | 589 |
| Closed in 181–365 days | 13 | 328 | 289 | 347 | 223 |
| Closed in in more than 365 days | 0 | 35 | 76 | 96 | 54 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] This excludes complaints that were inactive for an extended period, for example complaints that were paused because the financial firm was insolvent or due to court proceedings, and complaints that were previously closed and re-opened.

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
- confidentiality breaches.

## Key insights

- The number of life insurance complaints received in 2022–23 was significantly lower than the previous year. This was largely due to a spike in complaints about funeral plans in the 2021–22 year.
- We continue to receive a lot of complaints about premium increases and delays in claims handling.
- Complaints about delay have more than doubled over the last four years.

Over the 2022–23 financial year, AFCA received 1,898 life insurance complaints, which made up 2% of total complaints to AFCA. The life insurance complaints number was 24% lower than in the previous year. This was, in part, due to a reduction in the number of complaints about four Aboriginal Community Benefit Fund (ACBF) companies (the Youpla group). When the effect of these is removed, the year-on-year reduction for insurance complaints was about 7%.

We closed a total of 1,468 life insurance complaints in 2022–23. The average resolution time was 107 days, down from our five-year average of 114 days, and a reduction on the previous financial year.

The leading sources of complaints were income protection policies (523 complaints, or 28% of the total), funeral plans (441 or 23%), term life policies (347 or 18%) and total and permanent disability policies (210 or 11%).

Claims of misleading product or service information remained the most common issues raised by complainants, accounting for 19% of the total. Complaints about delays in claim handling rose from the previous year, accounting for 13% of the total, while complaints about incorrect premiums decreased, making up 11% of the total.

We urge insurers to review their claim handling practices and take steps to reduce the average time taken to make decisions about claims. Many people making a life insurance claim are in a vulnerable situation because of bereavement or illness, and need certainty of an insurance decision and the income stream if the claim is successful.

The number of complaints closed at the Registration and Referral stage was 529, or 36% of the total (up from 32% in the previous year). Closures in the Case Management stage increased from 505 to 534, or 36% of the total. Closures at the Rules Review stage dropped from 186 to 125, or 9% of the total.

We encourage insurers to continue pursuing fair outcomes for both parties in early resolution, which is ultimately more efficient and cost effective for firms and less stressful for complainants.

Misleading product/service information was the most complained about issue, followed by delays in claims handling. Complaints about service quality decreased by 31% from the previous year.

*Case study*

## Delays in the assessment of income protection benefits

### Background

The complainant became very unwell, stopped work, and made a claim for income protection benefits. The insurer quickly paid the first month of benefits. Despite receiving further information about the case over the next few months, it did not pay further benefits until after it was notified of the AFCA complaint – about nine months after the initial claim for benefits.

### Findings and outcome

After carefully reviewing the case, AFCA found the insurer was responsible for long delays in the assessment of the claim. This included not contacting the complainant for nearly three months after promising an urgent update. It only provided the update after it was notified that the complainant had complained to AFCA.

AFCA also found that despite having received financial information relating to the claim, the insurer had wrongly denied having received that information for almost a year, resulting in long delays in the assessment and payment of the benefit.

The insurer eventually resumed paying benefits, and AFCA required the insurer to pay interest to the complainant. AFCA also directed the insurer to pay the complainant compensation for non-financial loss for the serious impact of its:

- late payment of benefits
- failure to communicate
- repeated requests for information it had already received.

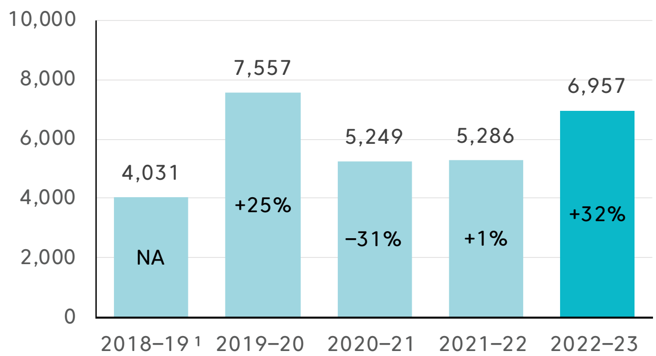
# Superannuation complaints

Between 1 July 2022 and 30 June 2023

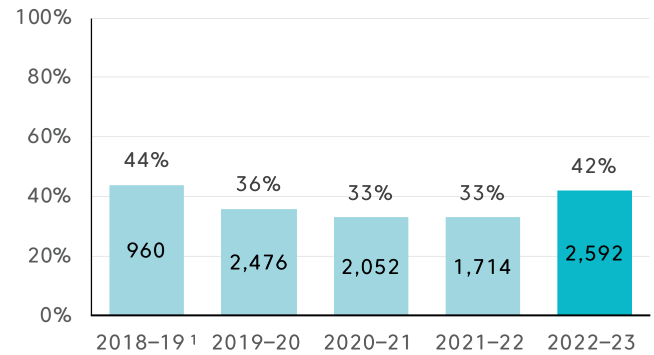
**6,957** complaints received

**42%** 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[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Superannuation account | 1,680 | 3,723 | 2,717 | 3,009 | 4,369 |
| Total and permanent disability | 674 | 1,161 | 978 | 1,014 | 985 |
| Income protection | 322 | 925 | 833 | 795 | 949 |
| Death benefit | 364 | 578 | 453 | 457 | 599 |
| Pension | 70 | 58 | 52 | 77 | 97 |

### Top five superannuation complaints received by issue

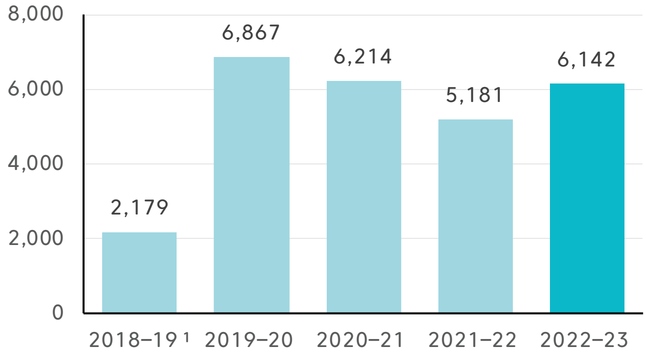
| Issue | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Delay in claim handling | 463 | 1,260 | 856 | 737 | 1,738 |
| Service quality | 183 | 648 | 517 | 774 | 767 |
| Account administration error | 299 | 570 | 487 | 506 | 709 |
| Incorrect fees/costs | 568 | 753 | 419 | 335 | 397 |
| Failure to follow instructions/agreement | 189 | 375 | 227 | 302 | 337 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

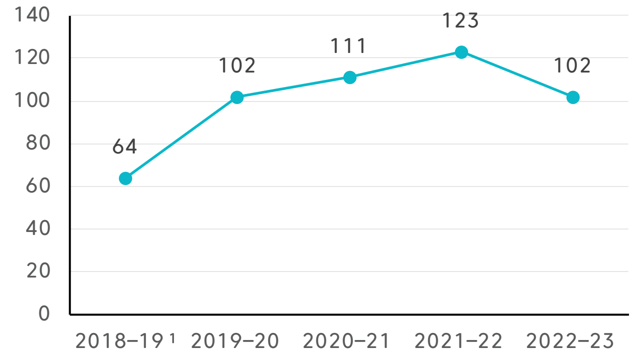
**6,142** complaints closed

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

### Superannuation complaints closed




### Average time to close a superannuation complaint in days [2]




### Stage at which superannuation complaints closed

| Stage | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| At Registration | 960 | 2,476 | 2,052 | 1,714 | 2,592 |
| Case Management | 793 | 2,830 | 2,466 | 2,084 | 2,452 |
| Rules Review | 241 | 254 | 168 | 177 | 190 |
| Preliminary Assessment | 140 | 816 | 909 | 613 | 496 |
| Decision | 45 | 491 | 619 | 593 | 412 |

### Time taken to close superannuation complaints

| Time | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Closed in 0–30 days | 454 | 1,117 | 770 | 681 | 819 |
| Closed in 31–60 days | 675 | 1,285 | 1,363 | 1,342 | 1,966 |
| Closed in 61–180 days | 1,009 | 3,355 | 3,051 | 2,096 | 2,331 |
| Closed in 181–365 days | 41 | 1,013 | 762 | 636 | 794 |
| Closed in in more than 365 days | 0 | 97 | 268 | 426 | 232 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] This excludes complaints that were inactive for an extended period, for example complaints that were paused because the financial firm was insolvent or due to court proceedings, and complaints that were previously closed and re-opened.

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 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:

- Many superannuation complaints to AFCA can be traced back to issues with service quality, including the clarity and usefulness of communications, the timeliness and effectiveness of internal dispute resolution processes, and the responsiveness of the trustee when questions are raised.
- Complaints about delays in handling insured benefit claims in superannuation soared in 2022–23, by 136% over the previous year. While these complaints mainly related to total and permanent disability and income protection claims, AFCA is also receiving increasing numbers of complaints about delays with the finalisation and payment of death benefits.

AFCA received 6,957 superannuation complaints in 2022–23, an increase of 32% over the previous year and about 7% of total complaints to AFCA.

The most common type of superannuation complaint was about the administration of accounts with a total of 4,369 complaints, up from 3,009 in 2021–22. Account administration complaints cover a wide range of issues, including:

- delays with rollovers and withdrawals
- failure to consolidate duplicate accounts
- transfer of inactive accounts to the Australian Taxation Office
- errors in implementing investment switches
- errors with the allocation of funds between investment options
- difficulty in accessing online member services
- cancellation of insurance cover
- calculation of fees and charges
- eligibility for pensions
- incorrect processing of tax-related forms and elections.

The second most common type of complaint was about total and permanent disability insurance, with 985 complaints. While the third most common related to income protection insurance with 949 complaints. These insurance-related complaints often involve complex issues, including questions of eligibility for cover, delays in claim decisions, avoidance of cover by insurers, and assessment of detailed medical records and other sensitive information.

Complaints about death benefits were the fourth most common category, with 599 complaints. These complaints included issues about:

- identification of dependants
- allocation of the death benefit
- the validity of binding or non-lapsing nominations
- delays in death benefit distribution decisions
- insured death cover.

Of the superannuation complaints closed, 2,592 were closed at the Registration and Referral stage. The high level of complaints closed at this early stage indicates superannuation funds are working hard to resolve matters before they progress further through the AFCA process. It equally suggests there is an opportunity for more complaints to be resolved through IDR.

A further 2,948 complaints were closed at Case Management stage, including after the issue of a Preliminary Assessment, and 412 progressed through to a final Decision.

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

Common recent themes in superannuation complaints include:

- delays with the handling of claims for insured benefits
- insurance eligibility issues, including where the trustee says there was no cover in place, or there was no cover for pre-existing conditions
- total and permanent disability and income protection claims where the insurer says the complainant has misrepresented their medical history
- disputes about pre-disability income levels in income protection claims
- cancellation of insurance cover due to the operation of Protecting Your Super or Putting Members' Interests First legislation, or where there are insufficient funds in the account to pay premiums, or where the complainant says the trustee failed to warn them adequately
- issues arising from intra-fund transfers or fund mergers.

Case study

# Cancelled policy following Protecting Your Super legislation

## Background

This case involved the cancellation of a deceased fund member's insurance under the Protecting Your Super legislation.

The trustee had identified the deceased as a member whose account had been inactive for 16 months or more and sent him a notice under section 68AAA of the *Superannuation Industry (Supervision) Act 1993* (Cth). That provision required the trustee to ensure it only provided insurance to such inactive members where they had elected to maintain cover, and to send those members a notice inviting them to do so. The notice gave the deceased a deadline to notify the trustee if he wanted cover to continue and included an election form.

When the deadline passed, the trustee had not received an election form from the deceased and the account remained inactive. On that basis, the trustee decided to cancel the insurance.

When the deceased subsequently died, the trustee did not pay the death benefit that would have been payable if cover had been maintained.

The complainant – the legal personal representative of the deceased – complained to AFCA about the trustee's failure to pay. He said the deceased signed and sent a form electing to maintain the cover. The complainant provided a copy of the form, which he said was sent, and an affidavit from a person who said they had seen the deceased post the form.

## Findings and outcome

AFCA affirmed the trustee's decision.

Based on the complainant's evidence, the ombudsman was satisfied, on balance, that the deceased completed and sent the election form to the trustee.

However, based on the trustee's evidence of its routine for dealing with incoming post and the trustee's review of its systems, the ombudsman accepted the trustee did not receive the form. The ombudsman determined the trustee was required by law to cancel the insurance cover and that the trustee's decision not to compromise the complainant's claim by paying him (as legal personal representative) an amount equal to the insured death benefit was fair and reasonable in all the circumstances.

This case demonstrates how AFCA may assess whether a trustee decision has been fair and reasonable, considering their legal obligations to members of the fund.

*Case study*

## Addressing TPD claim delay

### Background

This case concerned delays in the payment of a claim for total and permanent disability (TPD) under cover held through the complainant's superannuation fund.

The complainant lodged a TPD claim with the trustee on 24 May 2018, for symptoms relating to multiple sclerosis. The insurer accepted the claim on 29 May 2019 and notified the trustee.

The trustee and the insurer accepted there had been delays in the claim handling. The insurer decided to pay interest to compensate the complainant for the delay period starting on 1 April 2019. This was 10 business days after the insurer received a report from an independent neurologist, which confirmed the complainant satisfied the policy requirements.

The complainant was dissatisfied. She said the insurer and the trustee caused unreasonable delays and should have been able to pay the claim based on the information and medical evidence she provided when she first lodged her benefit claim.

### Findings and outcome

The ombudsman found the insurer had caused unreasonable delay by failing to seek further necessary information in a reasonable timeframe. The ombudsman required the insurer to pay further interest from 10 January 2019. The ombudsman also found the trustee's decision to agree with the insurer's payment of interest was not fair and reasonable.

In reaching these conclusions, the ombudsman noted that:

- medical evidence provided with the initial claim was ambiguous and the insurer was, therefore, justified in not initially accepting the claim
- when the insurer sought clarification from the complainant's neurologist, the neurologist advised there would be significant delays
- the insurer took more than two months to approach another independent neurologist to assess the complainant, which delayed the claim
- had the insurer not delayed in seeking the additional medical evidence it required, it would have been able to accept the claim more than two months earlier.

This case shows that insurers should be willing and timely in reconsidering their claims approach if a key piece of information is not forthcoming. Trustees should also be seeking explanations from an insurer if there are any delays during the claim process.

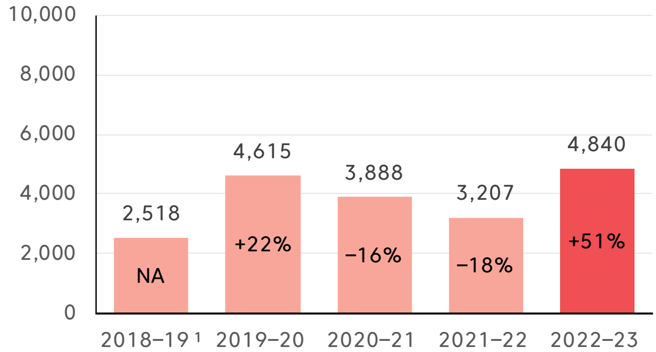
# Investments and advice complaints

Between 1 July 2022 and 30 June 2023

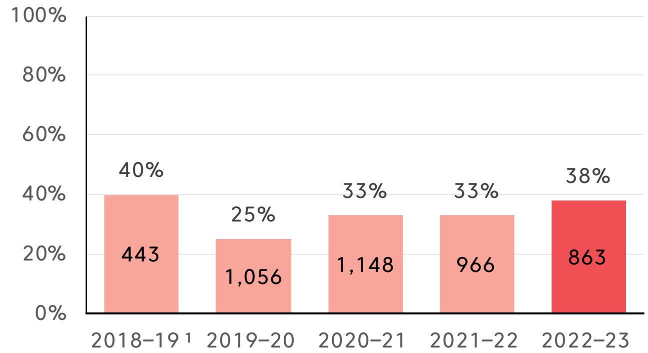
**4,840** complaints received

**38%** resolved at Registration and Referral stage

### Investments and advice complaints received [2]




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




### Top five investments and advice complaints received by product

| Product | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Self-managed superannuation fund | 228 | 345 | 272 | 259 | 1,696 |
| Foreign exchange | 845 | 759 | 431 | 260 | 757 |
| Shares | 226 | 528 | 950 | 669 | 703 |
| Superannuation fund | 171 | 451 | 302 | 272 | 328 |
| Cash management accounts | 40 | 54 | 87 | 143 | 233 |

### Top five investments and advice complaints received by issue [3]

| Issue | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Inappropriate advice | 323 | 585 | 534 | 241 | 1,662 |
| Failure to follow instructions/agreement | 701 | 575 | 229 | 332 | 951 |
| Failure to act in client's best interests | 212 | 469 | 525 | 281 | 534 |
| Service quality | 118 | 380 | 674 | 570 | 371 |
| Incorrect fees/costs | 194 | 335 | 331 | 212 | 211 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

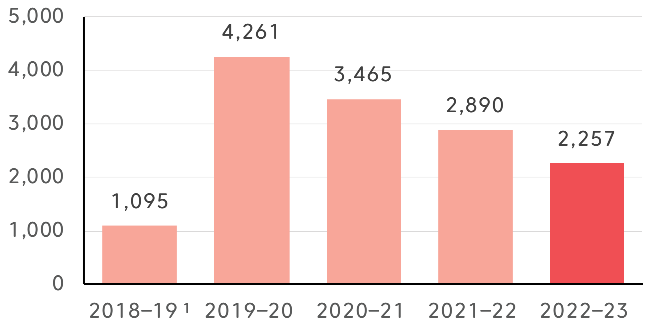
[2] Of the 4,840 investments and advice complaints received in the 2022–23 financial year, 1,720 (36%) and 654 (14%) related to two financial firms. Complaints against these firms made up 49% of the total complaints received. In the absence of these complaints, the overall number of investment and advice complaints would have totalled 2,466, which was 22% lower in 2022–23 than in 2021–22. In addition, this has impacted the data in the top five investment and advice complaints received by product. See more tables on the following pages.

[3] The top five issues for complaints that did not relate to these two firms were service quality (369), failure to follow instructions/agreement (301), failure to act in the client's best interests (269), incorrect fees/costs and inappropriate advice (185).

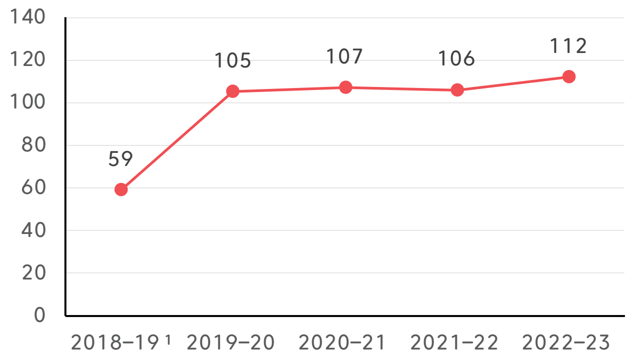
**2,257** complaints closed

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

### Investments and advice complaints closed




### Average time to close an investments and advice complaint in days [2]




### Stage at which investments and advice complaints closed

| Stage | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| At Registration | 443 | 1,056 | 1,148 | 966 | 863 |
| Case Management | 354 | 1,102 | 938 | 717 | 688 |
| Rules Review | 217 | 1,308 | 584 | 630 | 337 |
| Preliminary Assessment | 54 | 328 | 333 | 235 | 160 |
| Decision | 27 | 467 | 462 | 342 | 209 |

### Time taken to close investments and advice complaints

| Time | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Closed in 0–30 days | 303 | 658 | 666 | 595 | 494 |
| Closed in 31–60 days | 317 | 975 | 779 | 731 | 602 |
| Closed in 61–180 days | 466 | 1,798 | 1,352 | 1,047 | 675 |
| Closed in 181–365 days | 9 | 653 | 499 | 267 | 289 |
| Closed in in more than 365 days | 0 | 177 | 169 | 250 | 197 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] This excludes complaints that were inactive for an extended period, for example complaints that were paused because the financial firm was insolvent or due to court proceedings, and complaints that were previously closed and re-opened.

Investments and advice products AFCA can consider complaints about include:

- derivatives
- financial product advice and services
- managed investment schemes
- securities
- self-managed superannuation funds
- horse-racing syndicates
- timeshare.

Issues and problems AFCA can resolve include:

- advice that was not in the client's best interests
- incorrectly applied fees, commissions or other charges
- misleading product information
- not correctly following a client's instructions
- unauthorised transactions.

## Key insights:

- A recent downward trend in complaints related to investment and advice products would have continued in 2022–23, if not for one-off surges in complaints to AFCA relating to two firms.
- If the complaints against these two firms were excluded from the figures, total complaints in this category in 2022–23 would have fallen for a third successive year.

Of the total 4,840 complaints received in 2022–23 about investment and advice, 1,696 (35%) were related to self-managed superannuation funds, 757 (16%) were about foreign exchange transactions and 703 (15%) were related to shares. Excluding complaints from the two firms mentioned, the top three products for complaints in 2022–23 would have been shares (589 or 24%), superannuation funds (292 or 12%) and cash management accounts (219 or about 9%).

Inappropriate advice was the most complained about issue in 2022–23, with 1,662 complaints, or 34% of the total. This was followed by 951 complaints about failure to follow instructions or agreements (20%) and failure to act in the client's best interests (534 or 11%). Excluding the complaints from the two firms, the top three issues would have been service quality (369 or 15%), failure to follow instructions or agreements (301 or 12%) and failure to act in the client's best interests (269 or 11%).

In 2022–23, AFCA closed 2,257 investment and advice complaints. We closed 863 (38%) at the Registration and Referral stage, 848 (38%) at Case Management stage and 337 (15%) at Rules Review stage. The average closure time increased marginally from 106 days in 2021–22 to 112 this financial year.

*Case study*

# Excessive trading on an SMSF account

### Background

Mr and Mrs J lodged a complaint against advisory firm X, which was an authorised representative of financial firm A from November 2019 to February 2020, and of financial firm B from March 2020 to July 2020.

The complainants had entrusted their entire life savings to the advisory firm, which they accused of excessive trading, or 'churning', causing them financial loss. Financial firms A and B said advisory firm X provided general advice only and denied the accounts were churned.

Advisory firm X conducted more than 300 trades on the complainants' personal and self-managed superannuation accounts over five months, resulting in $15,193.27 in commissions and brokerage being paid to advisory firm X.

### Findings and outcomes

The AFCA panel found that the advisory firm:

- provided share trading advice, recommending a strategy of active trading of ASX 300 shares
- had de facto control over the complainants' share trading account, Mr and Mrs J had little or no experience in investing and accepted the advisory firm's recommendations for the trades without questioning (or trusted the advisory firm's recommendations).

The panel found that churning had occurred in reckless disregard to the complainants' interests, and amounted to a breach of advisory firm X's obligations to provide financial service efficiently, honestly and fairly. The panel found the complainants would not have suffered to the extent they did, but for the conduct of advisory firm X.

The panel noted that financial firms A and B had provided little information to assist AFCA's investigation. Neither phone call recordings nor trade reconciliation reports were supplied.

Financial firms A and B were directed to compensate the complainants for losses of $158,220.02 (equivalent to about 9% of the total $1.6 million invested by the couple) incurred due to the trades undertaken by advisory firm X. The compensation figure was calculated by comparing the complainants' investment portfolios with an industry fund with similar share portfolios on a 'buy and hold' strategy.

Financial firms A and B were also directed to pay the maximum amount allowed for legal fees, $5,000 to each of the complainants, and $2,000 for non-financial loss. The panel was satisfied that the complaint had taken longer than usual to resolve, largely due to the advisory firm's failure to cooperate and provide full information. This had caused the complainant a high degree of inconvenience.

# Cryptocurrency complaints

**216** complaints received

**153** complaints closed

**42%** resolved at Registration and Referral stage

### Top five cryotocurrency complaint issues received

| Issue | Total |
|---|---|
| Unauthorised transactions | 54 |
| Failure to follow instructions/agreement | 36 |
| Service quality | 16 |
| Mistaken internet payment | 15 |
| Interpretation of product terms and conditions | 14 |

### Stage at which cryptocurrency complaints closed

| Stage | 2022–23 |
|---|---|
| Registration and Referral | 65 |
| Case Management | 48 |
| Rules Review | 21 |
| Preliminary Assessment | 8 |
| Decision | 11 |

### Time taken to close cryptocurrency complaints

| Time | 2022–23 |
|---|---|
| Closed in 0–30 days | 41 |
| Closed in 31–60 days | 38 |
| Closed in 61–180 days | 63 |
| Closed in 181–365 days | 10 |
| Closed in in more than 365 days | 1 |

## About cryptocurrency

Cryptocurrency is an electronic internet-based virtual currency. As cryptocurrency is not regulated as a financial product under the Corporations Act, providers of cryptocurrency or digital assets are generally not required to be AFCA members. However, some have joined voluntarily, or as a condition of membership of an industry association.

In 2022–23, AFCA received 216 cryptocurrency complaints, with 153 cases closed. Of the closed cases, 65 (42%) were resolved promptly at the initial Registration and Referral stage.

Unauthorised transactions (including scams) received the most complaints with 54, or 25%, of the total. Complaints about failure to follow instructions or agreements was next with 36 (17%), followed by service quality issues with 16 (7%), mistaken internet payments with 15 (7%), and interpretation of product terms and conditions with 14 (6%).

Of the total 153 cases closed, 41 (27%) were closed within 30 days, and 38 (25%) between 31 and 60 days.

*Case study*

## Scam activity on a cryptocurrency account

### Background

In November 2017, the complainant opened a cryptocurrency account with a financial firm, into which she transferred approximately US$70,000 from her bank account. She then transferred her cryptocurrency to an account with a third party. The complainant said the third party turned out to be a scammer, from whom she was unable to recover the cryptocurrency.

The complainant also unsuccessfully sought to recover the cryptocurrency from the financial firm, which she claimed had inadequate risk management, and had failed to meet its obligations under anti-money laundering and counter-terrorism financing laws.

The financial firm said it provided an execution-only platform and had no reasonable basis to be aware that the complainant was being scammed by a third party.

### Findings and outcome

The ombudsman found that the financial firm acted with reasonable care and skill when providing its service by implementing multiple security measures to ensure the transactions were authorised. On each occasion, the complainant confirmed that she wished to proceed with the transfer.

The financial firm provided numerous warnings about potential scams, including:

- in the financial firm's terms and conditions
- when the account was first opened
- in the security recommendation on the financial firm's website, which highlighted the risks of sending coins off the platform as these transactions were irreversible and not traceable
- via a confirmation email when the complainant performed off-platform transfers
- in a phone call to the complainant to confirm the validity of the transaction, which the complainant acknowledged and assured the financial firm she wished to proceed.

The ombudsman found there was no evidence the scammers were clients of the financial firm (which was required to know its clients).

While the financial firm had an obligation to submit suspicious matters to AUSTRAC, the ombudsman noted it was not required to inform clients about the reports, or block a transaction, unless it was under investigation or had explicit instructions to block it.

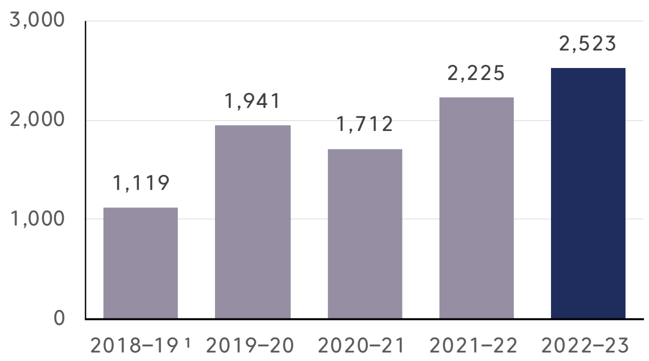
# Complaints lodged by Aboriginal and Torres Strait Islander peoples

Between 1 July 2022 and 30 June 2023

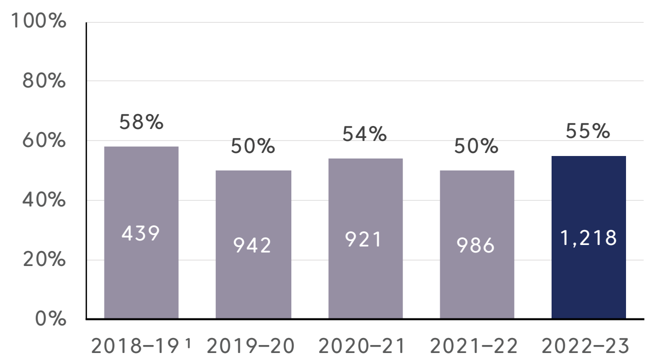
**2,523** complaints received
(11% relating to financial difficulty)

**55%** resolved at
Registration and Referral stage

### Complaints received




### Complaints resolved at Registration and Referral stage




### Top five complaints received by product

| Product | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Personal transaction accounts | 60 | 130 | 164 | 187 | 440 |
| Personal loans | 197 | 285 | 231 | 292 | 339 |
| Credit cards | 140 | 257 | 215 | 201 | 281 |
| Motor-vehicle insurance – comprehensive | 60 | 90 | 94 | 165 | 216 |
| Home building insurance | 26 | 57 | 56 | 133 | 203 |

### Top five complaints received by issue

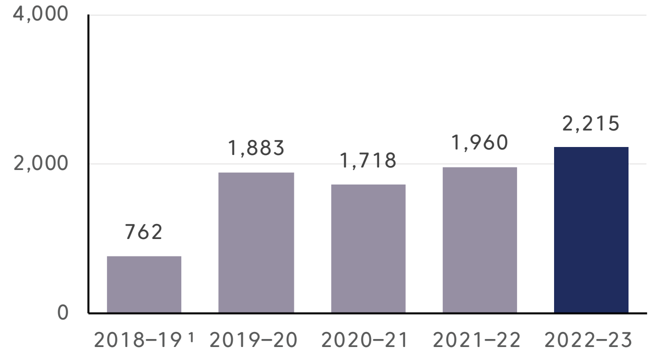
| Issue | 2018–19 [1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Unauthorised transactions | 67 | 151 | 125 | 179 | 332 |
| Delay in claim handling | 74 | 126 | 107 | 195 | 254 |
| Service quality | 55 | 122 | 144 | 213 | 206 |
| Financial firm failure to respond to request for assistance | 58 | 97 | 96 | 102 | 175 |
| Claim amount | 38 | 93 | 55 | 104 | 166 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

**2,215** complaints closed

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

### Complaints closed




### Stage at which complaints closed

| Stage | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| At Registration | 439 | 942 | 921 | 986 | 1,218 |
| Case Management | 177 | 542 | 418 | 477 | 615 |
| Rules Review | 108 | 197 | 144 | 179 | 165 |
| Preliminary Assessment | 27 | 115 | 95 | 89 | 98 |
| Decision | 11 | 87 | 140 | 229 | 119 |

### Time taken to close complaints

| Time | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Closed in 0–30 days | 319 | 511 | 484 | 595 | 611 |
| Closed in 31–60 days | 325 | 687 | 533 | 592 | 758 |
| Closed in 61–180 days | 117 | 552 | 537 | 546 | 677 |
| Closed in 181–365 days | 1 | 111 | 103 | 158 | 134 |
| Closed in more than 365 days | 0 | 22 | 61 | 69 | 35 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

In 2022–23, Aboriginal and Torres Strait Islander peoples submitted 2,523 complaints to AFCA, a 13% increase on the previous year.

Of these, 23 complaints were against four Aboriginal Community Benefit Fund (ACBF) companies, also known as the Youpla group (see more about Youpla in the following section). This compares to 364 complaints from First Nations peoples against the Youpla group in 2021–22.

In the absence of complaints against the Youpla group, the overall number of complaints lodged by First Nations peoples increased by 34% in 2022–23. This aligns with the overall increase in complaints AFCA received in 2022–23, and suggests general awareness of AFCA among Aboriginal and Torres Strait Islander communities and their advocates has grown in the past 12 months. For more information on AFCA's outreach and engagement work, and the AFCA Reflect Reconciliation Action Plan, see pages 134–136.

Around one in 10 (11%) of complaints submitted by First Nations peoples related to financial difficulty.

Most complaints received were about personal transaction accounts (440 or 17%) followed by personal loans (339 or 13%) and credit cards (281 or 11%). The most common issues were unauthorised transactions (332 or 13%), delay in claim handling (254 or 10%) and service quality (206 or 8%). The most common products and issues raised in complaints by First Nations peoples were similar to the most common products and issues raised by all complainants.

In total, 3% of all complaints lodged with AFCA this year were submitted by people who self-identified as Aboriginal or Torres Strait Islander.

While this somewhat reflects the percentage population in Australia,[1] we know there is still significant work to do to improve financial inclusion for all First Nations peoples and the accessibility of our service, including our cultural competence. We will continue to listen, learn, engage and train our people to identify and remove any barriers to accessing our service at all stages of the complaints process. We have also developed training in cultural and trauma-informed practice for complaint handling staff.

More and more of our First Nations customers, and particularly those living in regional or remote areas, tell us how important it is that AFCA understands and respects cultural protocols like Sorry Business, along with the unique aspects of a complaint such as where the complainant lives in a very remote community.

To ensure our service is not only accessible, but is delivered to First Nations peoples through understanding, respect and cultural confidence, we launched our Reflect Reconciliation Action Plan (RAP) in December 2022. You can read more about our commitment to Reconciliation and the AFCA Reflect Reconciliation Action Plan on pages 134–136.

[1] Australian Bureau of Statistics. (June 2021). Estimates of Aboriginal and Torres Strait Islander Australians. ABS. **www.abs.gov.au/statistics/people/aboriginal-and-torres-strait-islander-peoples/estimates-aboriginal-and-torres-strait-islander-australians/jun-2021**.

## Funeral insurance and the Aboriginal Community Benefit Fund

As at 30 June 2023, AFCA has received 1,346 complaints against four Aboriginal Community Benefit Fund (ACBF) companies, also known as the Youpla group.

We have also issued 178 decisions against ACBF companies, all of them in favour of the complainants. In these decisions, AFCA found that ACBF misled First Nations peoples. The companies had branded themselves as an Aboriginal business and sold funeral insurance to the community, in circumstances where ACBF was not Aboriginal run, or led, and had no cultural credentials.

In our 178 decisions against these companies, AFCA has ordered ACBF to pay compensation to its customers totalling $1.4 million.

We prioritised these complaints by creating a separate team, trained specifically to understand the relevant cultural protocols, to investigate the issues and communicate respectfully, both with represented and unrepresented people.

All four companies have now gone into liquidation, which means AFCA can no longer work on complaints against them. However, existing complaints remain in our system, and we can continue to receive new complaints, which we have paused awaiting further developments.

Even though we have had to stop work on these complaints, they remain on record.

AFCA continues to work with advocacy organisations to ensure new complaints are lodged. We have developed a streamlined approach for these complaints in a significant step towards ensuring this process is implemented for all First Nations complaints, and tailored and easy to use by remote First Nations peoples.

**"Thank you! You've been brilliant and greatly appreciated."**

*- Feedback from a member*

*Case study*

## Dealing with gambling addiction

### Background

The complainant was a young First Nations man who spent 10 years in jail. He received a large compensation payout for the treatment he received while he was incarcerated.

The complainant's mother (who was his Power of Attorney), approached the bank and asked for options about how she could best protect the compensation payment for the complainant's benefit when he was released from jail. The bank suggested a term deposit, which the mother ultimately proceeded to open. When the complainant was released from jail, he approached the bank and was able to redeem all the funds by instructing the bank to break the term deposit. The complainant then spent the funds gambling.

### Outcome

The AFCA decision maker spent a considerable amount of time working on the complaint and engaging with the parties. While a determination was not issued, the AFCA decision maker considered the bank's conduct under the vulnerability provisions of the Code of Banking Practice, the bank's obligation when it gave personal advice (whether the advice was appropriate), its knowledge of the complainant's gambling addiction and AFCA's fairness jurisdiction.

The AFCA decision maker noted that when the complainant's mother first contacted the bank enquiring about how to protect her son's finances, the bank should have considered referring the complainant for financial counselling and provided a level of guidance to the complainant about possible steps to protect the complainant's financial position.

After speaking with the parties, the bank agreed to reimburse the complainant in full, plus the maximum amount of non-financial loss compensation. This was a life-changing outcome for the complainant.

# Complaints lodged by consumer advocates and financial counsellors

At AFCA, consumer advocates including financial counsellors, community lawyers and support staff play a crucial role. They provide free representation to individuals during their complaints and also direct them to AFCA for assistance.

Our community outreach program emphasises raising awareness, education and fostering trust in our EDR process. These trusted partners are crucial in guiding individuals through our process, especially those experiencing difficult circumstances or vulnerability, who might not know about our services.

In 2022–23, consumer advocates referred close to 4,000 people to AFCA, a 15% rise over the last financial year. We had 779 complaints filed by consumer advocates over this time, nearly 70% of which came from financial counsellors.

## People experiencing difficult circumstances

Significantly, almost one in five people represented by a consumer advocate in 2022–23 was either a victim survivor of family violence or experiencing poor mental health. We acknowledge the link between financial stress and wellbeing, and our role in helping alleviate some of that stress by resolving complaints fairly and efficiently, in the most accessible way possible.

## How AFCA can help

AFCA adjusts its services based on individual needs. This includes:

- tailoring communication methods
- helping people understand and read information
- using interpreters and translating documents
- granting extended time for preparing information or legal advice
- prioritising cases, especially for people who are incarcerated, unwell or receiving medical, respite or palliative care
- referring to external support services when necessary; for example, domestic violence
- engaging with authorised representatives, such as disability workers, to help clients understand the complaints process.

While our new consumer portal will simplify the lodging of online complaints, we'll continue to offer robust phone support and other methods to service the needs of people requiring assistance, allowing them to share their story and engage in our process in an equitable manner.

## Complaints referred to AFCA by consumer advocates

| | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|
| Financial counsellor | 1,158 | 1,383 | 1,528 |
| Community lawyers | 1,079 | 1,092 | 1,488 |
| Support workers | 622 | 943 | 916 |
| Total | 2,859 | 3,418 | 3,932 |

## Complaints lodged by consumer advocates

| | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|
| Financial counsellor | 429 | 479 | 534 |
| Community lawyers | 270 | 324 | 204 |
| Support workers | 45 | 37 | 41 |
| Total | 744 | 840 | 779 |

### Top five complaints by product

| Product | Total |
|---|---|
| Personal loans | 222 |
| Home loans | 179 |
| Credit cards | 70 |
| Home building | 59 |
| Personal transaction accounts | 36 |

### Top five complaints by issue

| Issue | Total |
|---|---|
| Responsible lending | 174 |
| Financial firm failure to respond to request for assistance | 146 |
| Decline of financial hardship request | 81 |
| Service quality | 45 |
| Delay in claim handling | 44 |

### Stage at which complaints closed

| | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|
| Before referral | 5 | 4 | 5 |
| Registration and Referral | 258 | 194 | 239 |
| Jurisdictional review | 32 | 36 | 29 |
| Case management 1 | 89 | 105 | 99 |
| Case management 2 | 84 | 81 | 91 |
| Preliminary Assessment | 34 | 26 | 37 |
| Decision | 30 | 25 | 10 |

**66%** of these complaints are now closed

**31%** of these complaints were closed at Registration and Referral

**35%** of these complaints related to financial difficulty (non-business)

**71%** of these complaints related to credit products

Top three credit products were personal loans (222), home loans (179) and credit cards (70)

## Complaints lodged by financial counsellors

**534** complaints lodged

**67%** of these complaints are now closed

**50%** of these complaints were closed at Registration and Referral. Of these, 95% were resolved by the financial firm

**42%** of these complaints related to financial difficulty (non-business)

**82%** of these complaints related to credit products

Top three credit products were personal loans (187), home loans (125) and credit cards (56)

### Stage at which complaints closed

| | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|
| Before referral | 1 | 2 | 2 |
| Registration and Referral | 185 | 158 | 182 |
| Jurisdictional review | 18 | 24 | 16 |
| Case management 1 | 64 | 69 | 64 |
| Case management 2 | 61 | 66 | 69 |
| Preliminary Assessment | 17 | 17 | 24 |
| Decision | 13 | 5 | 3 |

### Geographic spread of complaints lodged by financial counsellors

| | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|
| ACT | 2% | 1% | 2% |
| NSW | 12% | 13% | 16% |
| NT | 3% | 5% | 5% |
| QLD | 12% | 20% | 16% |
| SA | 7% | 6% | 7% |
| TAS | 2% | 3% | 1% |
| VIC | 50% | 39% | 43% |
| WA | 11% | 14% | 10% |

### The impact of financial counselling services

56% of complaints were lodged by financial counsellors from 15 organisations:

- The Salvation Army Moneycare (54)
- Anglicare Victoria (50)
- Good Shepherd Australia New Zealand (27)
- Indigenous Consumer Assistance Network (26)
- Uniting Communities (21)
- Uniting Vic/Tas (17)
- CatholicCare NT (15)
- Child & Family Services (14)
- Primary Care Connect (13)
- St Vincent de Paul Society (WA) Inc (10)
- Mortgage Stress Victoria (10)
- Anglicare WA (10)
- Anglicare NT (10)
- Casey North Community Information & Support Service (10)
- Consumer Action Law Centre (10)

## Complaints lodged by community lawyers

**204** complaints lodged

**62%** of these complaints are now closed

**35%** of these complaints were closed at Registration and Referral. Of these, 90% were resolved by the financial firm

**22%** of these complaints related to financial difficulty (non-business)

**51%** of these complaints related to credit products

Top three credit products were home loans (52), personal loans (32) and credit cards (11)

### Stage at which complaints closed

| | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|
| Before referral | 1 | 2 | 1 |
| Registration and Referral | 56 | 29 | 44 |
| Jurisdictional review | 11 | 9 | 12 |
| Case Management 1 | 17 | 30 | 30 |
| Case Management 2 | 22 | 9 | 21 |
| Preliminary Assessment | 14 | 7 | 11 |
| Decision | 15 | 20 | 7 |

### The impact of community legal centres

68% of complaints were lodged by community lawyers from just 10 organisations:

- Legal Aid NSW (38)
- Mortgage Stress Victoria (29)
- Financial Rights Legal Centre (24)
- WEstjustice (13)
- Consumer Credit Legal Service WA Inc. (7)
- Redfern Legal Centre (6)
- Victorian Aboriginal Legal Service (5)
- Consumer Action Law Centre (5)
- Caxton Legal Centre (5)
- Legal Aid Queensland (5)

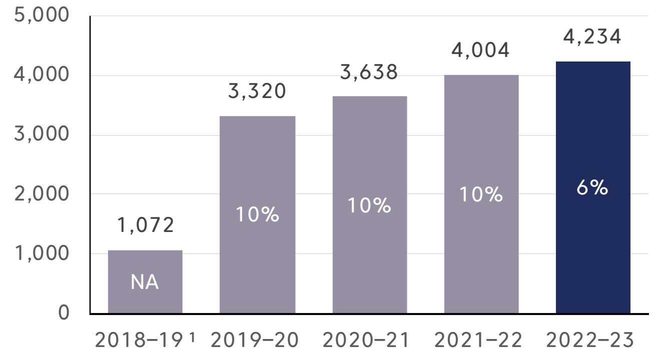
# Complaints lodged by paid representatives

Between 1 July 2022 and 30 June 2023

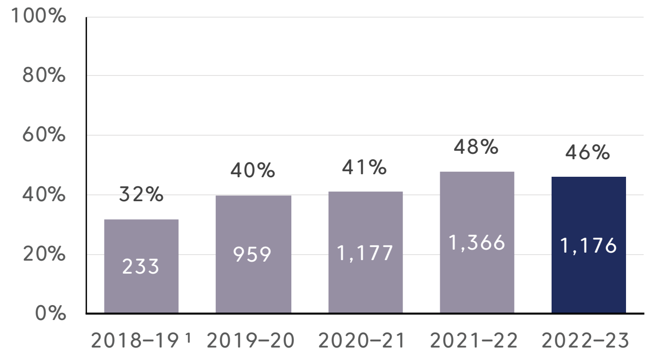
**4,234** complaints lodged by paid representatives

**46%** resolved at Registration and Referral stage

### Complaints lodged by paid representatives




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




### Top five complaints received by product

| Product | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Consumer credit insurance | 0 | 80 | 216 | 704 | 1,573 |
| Personal loans | 171 | 501 | 721 | 836 | 741 |
| Credit cards | 444 | 1,014 | 1,198 | 1,135 | 678 |
| Home loans | 123 | 407 | 229 | 326 | 380 |
| Home building | 39 | 115 | 74 | 131 | 186 |

### Top five complaints received by issue

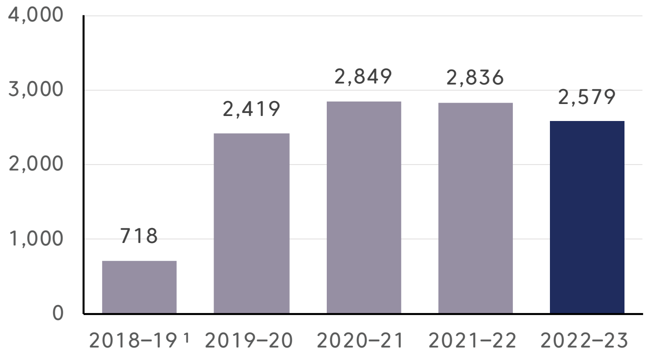
| Issue | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Misleading produce/service information | 6 | 281 | 181 | 396 | 824 |
| Default listing | 1 | 92 | 1,020 | 943 | 630 |
| Insufficient product/service information | 2 | 12 | 44 | 172 | 537 |
| Repayment history information | 0 | 69 | 458 | 546 | 446 |
| Financial firm failure to respond to request for assistance | 149 | 231 | 193 | 304 | 208 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

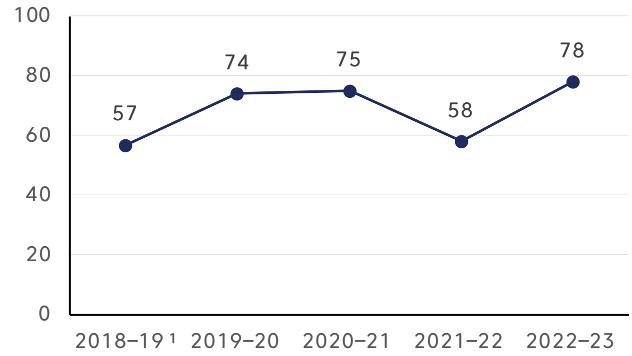
**2,579** complaints closed

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

### Complaints closed




### Average time to close a complaint lodged by a paid representative in days[2]




### Stage at which complaints closed

| Stage | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| At Registration | 233 | 959 | 1,177 | 1,366 | 1,176 |
| Case Management | 192 | 682 | 644 | 715 | 426 |
| Rules Review | 221 | 430 | 768 | 536 | 748 |
| Preliminary Assessment | 44 | 191 | 147 | 148 | 133 |
| Decision | 28 | 157 | 113 | 71 | 96 |

### Time taken to close complaints

| Time | 2018–19[1] | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| Closed in 0–30 days | 167 | 675 | 753 | 907 | 641 |
| Closed in 31–60 days | 288 | 705 | 681 | 998 | 767 |
| Closed in 61–180 days | 260 | 850 | 1,293 | 832 | 932 |
| Closed in 181–365 days | 3 | 189 | 122 | 99 | 239 |
| Closed in more than 365 days | 0 | 0 | 0 | 0 | 0 |

[1] 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 2018–19 and 2019–20 have been calculated pro rata using monthly averages.

[2] This excludes complaints that were inactive for an extended period, for example complaints that were paused because the financial firm was insolvent or due to court proceedings, and complaints that were previously closed and re-opened.

## Paid representatives and AFCA's service

We understand many complainants experience stress and, in some cases, financial strain. So our service is free and easy to access without the need for representation.

However, complainants sometimes prefer to have a representative help with their complaint, particularly when they need additional support due to illness, financial strain or disability. A representative can be a family member, friend, lawyer, financial counsellor or someone who offers to represent them for a fee. We call this last group paid representatives.

## About paid representatives

A paid representative is any person or business that is paid to represent and assist a complainant. It does not include accountants, lawyers, financial counsellors or other representatives who have professional bodies to monitor their conduct.

Paid representatives can include, but are not limited to:

- Debt management firms – which are firms that assist complainants with issues about consumer credit contracts for a fee, or who charge an amount that is payable in relation to a service. These firms are now regulated and must hold an Australian credit licence and be members of AFCA (**ASIC Info 254**).
- Insurance claims handling firms – representatives who provide claim handling and settling services about insurance products. These firms must hold an Australian credit licence and be members of AFCA (**ASIC Info 253**).
- Any other entity that charges a fee to assist a consumer to lodge a complaint at AFCA.

## AFCA's expectations of paid representatives

AFCA's **Engagement Charter** summarises what it expects from all users of its service, including AFCA. It shares AFCA's values and outlines the behaviour it expects from financial firms, complainants, representatives and AFCA employees when resolving disputes.

AFCA expects paid representatives to conduct themselves at a higher standard than non-fee charging representatives. Under the AFCA Engagement Charter, all representatives, including paid representatives, are expected to:

- act in the best interests of the complainant and avoid conflicts of interest
- act fairly and professionally towards AFCA and financial firms
- avoid lodging complaints that are frivolous, vexatious or without merit
- support the reasonable negotiation of complaints, including ensuring complainants attend AFCA telephone conciliation conferences
- provide all relevant documentation that could reasonably be expected on initial lodgment of a complaint, including confirmation that the complainant is aware the complaint has been lodged at AFCA and authorises the representative to act on their behalf
- cooperate with our investigations including facilitating provision and exchange of information and evidence, actively participate in the complaint resolution process and avoid unnecessary delays.

Complaints should first be referred to the financial firm, so they can resolve the dispute without AFCA. Therefore, we also expect paid representatives to only make a complaint with AFCA after unsuccessful resolution in the financial firm's IDR process. If the paid representative is unable to resolve the issue with the financial firm directly, they can then make a complaint with AFCA.

If our expectations are not met, and the conduct impacts the delivery of fair outcomes, it may be appropriate for AFCA to refuse to consider the complaint further under AFCA Rule C.2.2(g). See more about complaints outside AFCA's Rules on page 116.

As paid representatives are not required to access our services, the fee/s paid to the representative are not awarded as part of any compensation provided in the outcome of a complaint.

AFCA has published more information about paid representatives on its website. This includes a guide on what information paid representatives should provide to AFCA when lodging complaints: **afca.org.au/paid-representatives.**

Complaints lodged by paid representatives this financial year grew by 6%, a total of 4,234 complaints. Nearly half of these (46%) were resolved at the Registration and Referral stage. At AFCA's commencement in 2018–19, paid representatives lodged 1,072 complaints. In 2022–23, AFCA managed just over four times that number of complaints.

The top three product complaints lodged by paid representatives were:

1. Consumer credit insurance – a significant increase in complaints, up by 123%, from 704 in 2021–22 to 1,573 in 2022–23.
2. Personal loans complaints – despite declining from 836 (11%) in 2021–22, to 741 in 2022–23.
3. Credit cards – despite a dramatic drop of 40%, from 1,135 in 2021–22 to 678 in 2022–23.

The most complaints lodged by paid representatives in 2022–23 were about misleading product/service information. They made up 824, or 19%, of the total 4,234 complaints lodged.

Complaints closed at the Registration and Referral stage fell by 14%, from 1,366 in 2021–22 to 1,176 in 2022–23. At the Case Management stage, we saw a sharp 40% decrease from 715 in 2021–22 to 426 in 2022–23.

Complaints closed at the Rules Review stage in 2022–23 rose by 40%, or 748 compared to 536 in 2021–22.

**"Thank you to my case worker for just listening to me and understanding, and not making me feel inadequate."**

*- Feedback from a consumer*

# Complaints outside AFCA's Rules

The AFCA Rules set out the processes that apply to all complaints submitted to AFCA. We can only handle complaints that fall within our Rules.

## Where a complaint is excluded under AFCA Rules

Some consumers and small business complaints fall outside our defined Rules. However, we can proceed if we think it is appropriate to do so and have the financial firm's consent. If not, we offer guidance on how and where it can be resolved.

## Reasons for complaints outside AFCA's jurisdiction

For AFCA to consider a complaint, it must:

- relate to a financial service set out in our Rules
- be about an AFCA financial firm member
- be lodged within AFCA's time limits
- not fall within any of our mandatory exclusions.

This financial year, 6,080 complaints lodged with us fell outside AFCA's jurisdiction. Of these complaints:

- 18% were excluded due to ineligibility, meaning AFCA could not accept the complaint
- 54% were excluded under a mandatory exclusion, meaning our Rules required us to exclude the complaint
- 28% were excluded under a discretionary exclusion, meaning we thought it was appropriate to exclude the complaint.

The top three reasons for ineligible complaints this year were:

1. Uninsured motorists lodging complaints against another motorist's insurer for accidents when the insured had not lodged a valid claim. This is outside the Rules under Rule B.2.1 (f) (415 complaints, a 9% decrease from last year).
2. The complaint was lodged against a financial firm that was not a member of AFCA. This is outside the Rules under Rule A.4.2 (312 complaints, a 43% increase).
3. The complainant was not eligible to lodge a complaint for some other reason. For example, it was lodged on behalf of a deregistered business under Rule A.4.1 (275 complaints, a 13% decrease).

The top three reasons for mandatory exclusions this year were:

1. The complaint did not relate to a financial service or other category of complaint we can consider under our Rules. This is outside Rule B.2.1 (a) (1,692 complaints, a 30% decrease from last year).
2. The complaint was previously dealt with by a Court, tribunal or former EDR scheme. We are required to exclude this under Rule C.1.2 (d) (266 complaints, a 3% increase).
3. The complaint related to the level of a fee, premium, charge or interest rate charged by a firm. We are required to exclude such complaints under Rule C.1.2 (a) (259 complaints, a 34% decrease).

The top three reasons for discretionary exclusions this year were:

1. The complainant's paid representative did not provide the information we required from them, or did not meet our behavioural expectations under Rule C.2.2 (g) (519 complaints, an 89% increase from last year).
2. We had a reason to exclude the complaint beyond those listed in our Rules, such as the complaint having been previously settled under Rule C.2.1 (433 complaints, a 20% decrease).
3. We felt there was a more appropriate place to consider the complaint, such as in a court or another ombudsman scheme under Rule C.2.2 (a) (359 complaints, a 37% decrease).

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

| Reason | 2018–19 | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| OTR B.2.1 (f) Uninsured MV criteria not met | 221 | 418 | 367 | 458 | 415 |
| OTR A.4.2 FF not a current member | 249 | 291 | 195 | 218 | 312 |
| OTR A.4.1 Complainant not eligible – general | 223 | 354 | 316 | 317 | 275 |

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

| Reason | 2018–19 | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| OTR B.2.1 (a) Financial service not provided | 1,411 | 2,678 | 2,271 | 2,414 | 1,692 |
| OTR C.1.2 (d) Dealt with by Court/Tribunal/Scheme | 425 | 586 | 328 | 258 | 266 |
| OTR C.1.2 (a) Level of fee/premium/charge/interest rate | 237 | 330 | 246 | 395 | 259 |

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

| Reason | 2018–19 | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|---|---|---|---|---|
| OTR C.2.2 (g) Credit representative non-compliance with process | 140 | 129 | 263 | 275 | 519 |
| OTR C.2.1 Discretion to exclude – General | 202 | 1,134 | 508 | 542 | 433 |
| OTR C.2.2 (a) More appropriate place | 309 | 518 | 401 | 566 | 359 |

# AFCA's Systemic Issues function

A systemic issue is an issue that is likely to have an effect on one or more consumers, in addition to a complainant. Consumer complaints can be a key risk indicator for systemic issues within a financial firm. AFCA's 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. The early identification and resolution of systemic issues can reduce consumer complaints and help to minimise consumer harm.

AFCA's role is set out in the ASIC Regulatory Guide 267 (RG 267) and the AFCA Rules. Our work also supports financial firms to address systemic issues early and sits alongside a financial firm's own obligations to manage systemic issues identified through consumer complaints, as outlined in ASIC Regulatory Guide 271 (RG 271).

AFCA is not a regulator. We operate within the broader regulatory framework by providing information to regulators in accordance with our obligations. We are obligated to report under both section 1052E of the Corporations Act and ASIC's RG 267. We report systemic issues when required to ASIC, APRA, the Office of the Australian Information Commissioner and the Australian Taxation Office. Our reports to regulators ensure they are promptly informed of issues within the industry and can take action as they deem appropriate.

## Progressing our systemic issues transformation

The transformation of AFCA's systemic issues function is a strategic focus for AFCA and our Board. The proactive use of data-driven analytics to identify systemic issues, and the sharing of key insights with regulators and the financial services industry, is a key focus of our transformation.

To date, we have made significant progress in our transformation, including:

- establishing a data analytics capability within the team
- enhancing our reporting to regulators, ensuring they are promptly informed of issues within the industry and can take action as they deem appropriate
- proactively sharing data, insights and case studies with financial firms, with the aim of improving industry practices
- delivering new training to continuously improve our people's expertise and knowledge in systemic issues
- improving internal efficiencies through new processes and tools
- ongoing and regular engagement with members
- publishing three editions of the new AFCA Systemic Issues Insights Report, in response to Recommendation 13 of the Independent Review.

### Delivering transparency in our systemic issues function through public reporting

AFCA launched its inaugural Systemic Issues Insights Report in the second half of 2022. This report is one way AFCA has improved public reporting and transparency of its work, as required by Recommendation 13 of the 2021 Independent Review Report.

The Systemic Issues Insights Report shares recent data and findings from a range of systemic issue cases across the industry. The report, which is published bi-annually, shares insights and trends with the public and helps financial firms to improve industry practice. For more information and to read the reports, visit the **Systemic Issues Insights Report page.**

Our systemic issues reporting has been enhanced and supported by work completed to mature our data and analytics capability. We are also creating tools and resources for external stakeholders to improve understanding and awareness of systemic issues.

### Communicating AFCA's role

Recommendation 12 relates to AFCA clarifying its systemic issues role compared to that of regulators. Since the 2021 Independent Review report was published, AFCA has engaged closely with all stakeholders on its distinct role, separate from and complementary to the work of regulators. AFCA will continue two-way information sharing with ASIC and other regulators, regarding the outcomes of referrals and ensuring a coordinated approach.

While we work with all stakeholders to progress this recommendation, we will continue to be transparent and share insights into our systemic issues work, to help address any perceived overlap between AFCA's and ASIC's roles and to improve accountability within the industry. AFCA is committed to improved and ongoing communications about its role in systemic issues, as well as clarifying how AFCA works with, and alongside, regulators.

## Impact of AFCA's systemic issues work

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

Between 1 July 2022 and 30 June 2023, AFCA:

- identified 1,042 potential systemic issues
- referred 194 systemic issue investigations to financial firms
- identified and investigated systemic issues resulting in remediation to 378,830 consumers and small businesses
- achieved $100,528,522 in remediation and refunds to consumers
- achieved the reinstatement of incorrectly cancelled life insurance policies, and the rectification of credit and repayment history information on consumer credit reports
- reported 105 systemic issues to regulators
- resolved 94 systemic issues investigations with financial firms
- reported 58 reportable matters under section 1052E(1)–(3) of the Corporations Act, being:
  - > 14 serious contraventions of the law
  - > 40 reports made about financial firms' refusal or failure to give effect to AFCA determinations
  - > four reports made about settlements that may require investigation.

*Case study*

## Banking and finance – duplicated fees and charges

A financial firm had a system outage that resulted in visa debit card transactions being duplicated and unwarranted charges and fees being incurred. There were two separate incidents.

Incident one was caused by a program coding error that was introduced via a scheduled system release. The error resulted in pending visa debit transactions being incorrectly deleted in overnight batch runs, when one of the pending transactions became authorised. This meant customer account balances didn't reflect correct information. The incident saw some customers granted access to funds they shouldn't have had access to, resulting in overdrawn accounts. The firm detected the incident and rectified the issue.

Incident two was generated by the system fix of incident one. An additional system parameter change was applied in error, resulting in 1.2 million visa debit card transactions becoming duplicated. These duplications were later reflected in accounts. The impact of incident two was that another customer cohort had duplicate visa debit payments posted on their account and balances reduced. Some customers were impacted by both incidents one and two. The firm had not identified these impacts during testing, before installing the system fix to rectify the first incident.

These incidents and the overall systemic issue impacted 954,974 accounts. The financial firm paid a total of $1,859,676.67 to customers, which included remediation and goodwill payments.

### Take note

We frequently see a lack of adequate testing before installing system fixes. This can lead to ongoing and compounding issues.

*Case study*

## General insurance – policy interpretation

A financial firm failed to comply with its own policy definition of 'market value' when settling total loss motor vehicle claims for vehicles insured for market value. Staff were not including relevant stamp duty and transfer fees to purchase a replacement vehicle in their assessments of the settlement sum.

The financial firm said it had made a business decision some years ago to change the definition of 'market value' to include the reasonable costs associated with the replacement of the vehicle, and the Product Disclosure Statement (PDS) was updated to reflect this. Despite the PDS being updated, ineffective project governance and change management processes meant the change failed to be properly implemented into work practices. The financial firm did not become aware of this until AFCA's systemic issues investigation raised the issue. The financial firm is working to identify the number of affected customers. Remediation is expected to cost over $6.6 million.

### Take note

When making changes to policies, as well as other key documents and procedures, firms must take appropriate steps to implement and embed changes holistically to ensure successful implementation and ongoing compliance.

*Case study*

## Investments and advice – incorrectly assessing client suitability to trade

A financial firm was failing to assess a client's suitability to trade in contracts for difference (CFD) on its platform, which is a high-risk investment product. The financial firm didn't have processes and practices in place to ensure only eligible clients with skill and knowledge of CFDs could open an account and trade. AFCA's review identified several complaints where clients were unskilled at trading in CFDs and had suffered financial losses as a result.

Throughout our investigation, the financial firm provided unclear and inaccurate information about its policies and practices. Given the firm's poor engagement and cooperation with AFCA, along with our concern that the firm hadn't met its regulatory obligations for an extended period, AFCA formed the view that we would not be able to reach a resolution with the firm. For these reasons, AFCA referred the matter to ASIC to take steps as appropriate.

**Take note**

Firms are required by law to properly classify customers as retail or wholesale. The law provides greater protections to retail clients and requires firms to prevent unsophisticated investors from being able to trade in high-risk products. When a firm has immature or inadequate processes in place to assess a client's risk profile and suitability to trade, losses can occur for consumers.

# AFCA's Code compliance and monitoring function

The Code Compliance and Monitoring Team (Code Group) assists five independent committees to monitor compliance with various Codes of Practice and strives for best practice across the Australian financial services sector.

| The committees | The Codes of Practice |
|---|---|
| Banking Code Compliance Committee (BCCC) | Banking |
| Customer Owned Banking Code Compliance Committee (COBCCC) | Customer Owned Banking |
| General Insurance Code Governance Committee (GICGC) | General Insurance |
| Insurance Brokers Code Compliance Committee (IBCCC) | Insurance Brokers |
| Life Code Compliance Committee (Life CCC) | Life Insurance |

The Codes of Practice set industry standards for service provision, professional conduct and ethical behaviour. The AFCA Code Group monitors compliance with these standards and supports the five independent committees, providing them with operational and support services. Each committee has an independent Chair, a consumer representative and an industry representative.

The Code committees seek to raise industry standards and improve consumer outcomes by helping subscriber firms comply with the Code.

This function is separately operated from AFCA and the business unit is funded by industry associations and code subscribers.

While each Code committee reports separately to their stakeholders on work completed, AFCA takes this opportunity to summarise the key contribution made to the sector by the Code Group and the committees in the last financial year.

## Education and guidance

The Code Group's focus on strong education and guidance assists the committees to clarify Code obligations for subscribers and ensure sustained compliance benefits for consumers.

Resources developed for Code subscribers address specific risks, concerns and recommend improvements in practice. These include:

- reports on specific compliance issues
- inquiry findings and reports
- case studies showing good and bad practices and their outcomes, and the impact on consumers and small business
- guidance on the operations of the Codes
- highlighting trends and patterns in Code compliance
- determination notes
- articles.

The Code Group and committees produced a range of resources during 2022–23 including the following:

**BCCC:**

- Two Code compliance reports – July to December 2021 (published September 2022) and January to June 2022 (published February 2023)
- Industry Data Report – Compliance activities of banks in 2020–21 (published November 2022)
- Guidance Note 1: Breach Identification and Reporting – Bank Code non-compliance report (published September 2022)

These resources focus on improving processes and practices for consumers, and helping banks understand a crucial part of the Code.

### COBCCC:

- Annual Industry Data Report 2021–22, an overview of subscriber breach and complaints data (published April 2023)
- Individual Benchmark Reports – tailored subscriber reports to measure industry compliance (published November 2022)
- Report of inquiry into how subscribers transitioned to the 2022 Code (published June 2023)
- Five articles providing subscriber guidance related to compliance with the Code
- Two webinars to help subscribers understand and complete their Annual Compliance Statement and the importance of a self-regulatory framework

These resources highlighted compliance issues and areas for sector improvement. They also helped prepare subscribers for the launch of the 2022 Code, including new obligations for lending, small business and supporting vulnerable customers.

### GICCC:

- Committee process guidance on reporting significant breaches and serious misconduct to ASIC (published October 2022)
- Guidance on timeframes for handling claims (published July 2022)
- Annual industry data report outlining industry Code compliance (published April 2023)

These resources helped subscribers with Code compliance and improving their compliance processes and practices.

### Life CCC:

- Twenty-four determinations reporting on the outcomes of investigations
- Guidance Notes – claims decision timeframes (published September 2022)
- Case study with guidance on planning for system migrations (published October 2022)
- Individual Benchmark Reports – tailored subscriber reports to measure their industry compliance (published December 2022)
- Annual Industry Data and Compliance Report 2021–22, an overview of industry compliance (published March 2023)
- Guidance for subscribers transitioning to the new Code (June 2023)

These resources cover a range of revised Code compliance issues – improving practices and strengthening processes.

### IBCCC:

- Annual Industry Data Report 2022 – an overview of subscriber breach and complaints data (published April 2023)
- Individual benchmark reports – two sets of tailored subscriber reports to measure their industry compliance (published November 2022 and June 2023)
- Report of inquiry into how subscribers encouraged good behaviours and a culture of compliance (published November 2022)
- Five subscriber guidance articles on a range of matters relevant to Code compliance
- Two webinars to help subscribers understand and complete their Annual Compliance Statement

These resources focused on helping subscribers transition to the 2022 Code, and ensure they fully understood their new obligations and were well placed to meet them.

# Inquiries

An inquiry is a formal examination of a particular issue and identifies:

- the size of an issue
- root causes
- consumer impacts.

Inquiries take on different focuses and forms when addressing the Codes. They aim to:

- identify what works well
- help subscribers understand their obligations
- highlight areas for improvement.

Initiated inquiries have identified areas of concern and recommended how subscribers can improve processes and practices. They have provided valuable lessons and guidance.

In 2022–23, the Code Group and the Committees undertook several inquiries:

### BCCC

- An inquiry into compliance with obligations for estates of deceased customers (published June 2023)
- A follow-up inquiry examining bank progress following the 2021 inquiry into compliance with obligations for guaranteed loans (final report will be published in early 2023–24)
- A follow-up inquiry to examine bank progress following the 2021 inquiry into compliance with obligations for inclusivity, accessibility and vulnerability (final report will be published in early 2023–24)

### COBCCC

- Inquiry into the practices of subscribers that report zero breaches or complaints (final report will be published in 2023–24)

### GICCC

- Inquiry into how financial hardship information on insurers' websites complies with the Code's spirit and intent (published June 2023)
- Inquiry into the processes for making claims decisions (published July 2023)

### Life CCC

- Inquiry into compliance with design and introduction of new life insurance policies (published March 2023)
- Inquiry into compliance with sending annual notices (final report will be published in 2023–24)

### IBCCC

- Inquiry into the practices of subscribers that report zero breaches or complaints (final report will be published in 2023–24)
- Inquiry into subscribers preparation and implementation of the 2022 Code (final report will be published in 2023–24)
- Inquiry into subscribers assistance of vulnerable clients (final report will be published in 2023–24)

# Investigations

The Code Group's core work with the committees is monitoring and investigating Code compliance.

Investigations can take several approaches including:

- examining multiple factors
- the nature of the allegation or breach
- industry specifics of the Code obligations.

There is a wide range of outcomes for investigations across the Codes.

An investigation aims for both consistency and impartiality. The committees examine either a potential or an actual breach, recommend improved practices and issue sanctions for serious failures. They report publicly on their findings if it's appropriate.

In 2022–23, the Code Group undertook key investigations on a range of compliance matters. Specifically:

- the BCCC finalised 79 allegations and commenced four new investigations,
- the GICCC opened 191 investigations into possible and alleged breaches. After processing, 24 went to investigation, and 42 of the 123 significant breach matters also went to investigation,
- the Life CCC worked on 236 investigations, including significant Code breaches.

## Stakeholder engagement

The Code Group couldn't fulfil its purposes and goals without cooperation and collaboration from the industry, consumer groups, government agencies and regulators.

Several key stakeholders share their knowledge, expertise, experience and support with the Code Group. It works closely with the committees, industry associations and consumer groups on various matters relevant to each Code and to consult on its priorities. The Code Group also assists the committees to make submissions to external inquiries, including government and relevant industry codes and issues.

The BCCC held its first forum in October 2022. Themed 'Keeping Customers at the Core', the forum was held in Sydney and streamed online to a large audience. The forum provided a valuable platform for industry stakeholders to discuss a range of important issues in banking today through panel discussions, panel sessions and interactive presentations.

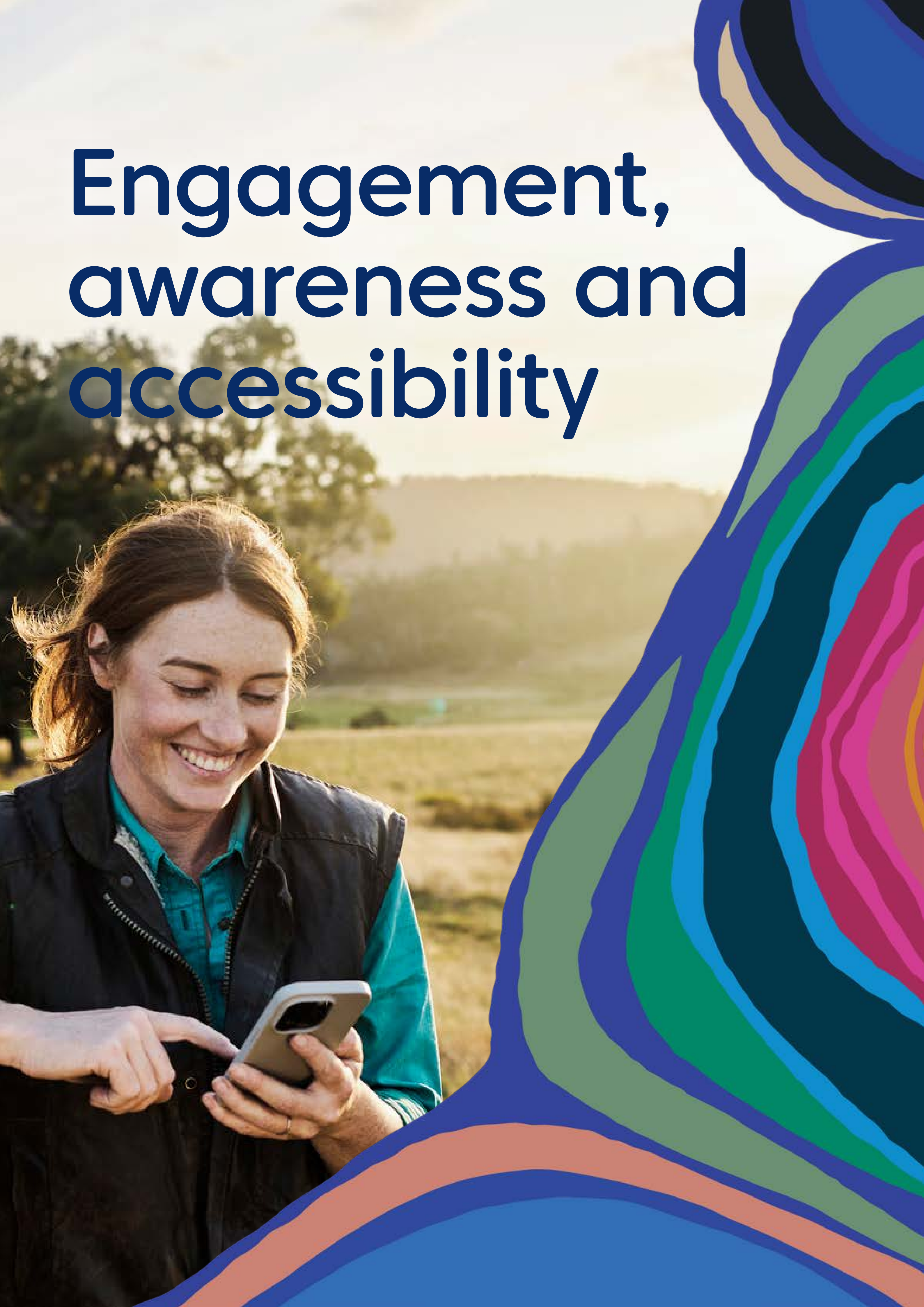
By monitoring compliance with the Codes, the Code Group and the committees play an important role in the broader consumer protection environment. They have worked closely with AFCA, ASIC and consumer groups on complaints and regulation issues, seeking to avoid duplication and deliver consumers the best outcomes.

The General Manager of Code Compliance, Prue Monument, is a member of the AFCA Consumer Advisory Panel and this exposure enables the Code Group to collaborate and cooperate with a wide range of stakeholders. It benefits greatly from this experience and the shared knowledge that it facilitates.

The Code Group's work extended to other agencies and bodies in 2022–23, such as APRA, the Australian Reports and Analysis Centre (AUSTRAC) and the Australian Small Business and Family Enterprise Ombudsman (ASBFEO).

At the heart of the Code Group's engagement is a commitment to improvement. It regularly consults with stakeholders on specific issues of Code compliance. It values ongoing stakeholder engagement and, looking forward, will consult widely again as it aims to establish priorities and improve compliance with all five Codes across the respective industries.

# Engagement, awareness and accessibility



# Stakeholder engagement

For AFCA to deliver on its service and commitments, we cannot operate in isolation. We need strong and meaningful relationships with our external stakeholders, from consumer and industry bodies through to regulators and government, so that we can inform change and influence better dispute resolution and industry practices.

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, industry and government 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. We follow a broad engagement program that includes forums, liaison groups, one-on-one meetings, events, consultations, webinars, newsletters and social media.

## Engagement with members

In order to improve our service, industry practices and to minimise disputes, we work closely with our members – not only their complaint handling units, but also at the senior leadership level with Boards and executives.

This year, we continued to meet regularly with the Boards of major institutions, such as the major banks and insurers, to share insights about what we are seeing as an ombudsman service and to discuss, generally, major issues including scams, delays and rising complaint volumes.

We also invited our members to engage with us through consultations, webinars and forums this year. AFCA would like to thank its members for their engagement and cooperation in 2022–23, and the positive contribution they made to improving our service and responding to recommendations of the Independent Review.

In the coming year, AFCA will develop a program of work for upcoming consultations and projects. We will share this with our stakeholders so they know when we may call on them to contribute.

### Membership services

For members who interact with us every day, AFCA has a dedicated membership team that assists firms with the management of their membership including applications, online assessments, annual forecasting and everyday membership enquires.

### Member Forum

In 2022–23, AFCA held two Member Forums. They were held in August 2022 and March 2023. The forums included dedicated sessions on banking and finance, superannuation, life insurance, general insurance, and investments and advice.

While the Member Forums were traditionally in-person events during the pandemic, in 2020, we moved to a virtual environment and livestreamed the events to our members online.

The virtual events were well received and garnered greater engagement and participation from our members. As a result, we have continued to hold our Member Forums online.

In 2022–23, AFCA held one Member Forum. This was held in March 2023. The forum included dedicated sessions on banking and finance, superannuation, life insurance, general insurance, and investments and advice.

### Member news

We regularly publish news about AFCA, EDR 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.

## Engaging with consumers and consumer advocates

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 outreach program and 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 service improvement.

### AFCA Consumer Advisory Panel

The 11 members of AFCA's Consumer Advisory Panel (ACAP) meet quarterly with our Senior Leadership Group. The panel provides insight and analysis on AFCA strategy and policy, consumer-related projects and shares real-time information about the financial problems Australians are facing.

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 2022–23, discussions focused on the consumer impacts of the collapse of the Youpla Group, proposed regulatory changes, scams, de-banking and delays in insurance claim handling. ACAP members also contributed to consultations throughout this period, covering AFCA Rules changes, approaches to responsible lending, uninsured motorist complaints, motor vehicle total loss complaints, non-financial loss and general insurance complaints about flood claim decisions.

### Consumer Advocate Liaison Meetings

We welcomed new members to our Consumer Advocate Liaison Meetings (CALM) in 2022–23. Representatives from nearly 30 advocacy, financial counselling and community legal services meet quarterly with our senior management team. CALM focuses on good practice in EDR, removing barriers for vulnerable people to our service and exploring specific areas of AFCA's jurisdiction, including fairness, systemic issues and scams. Participants also shared their experience and insights on managing challenging behaviours and working with victim-survivors of domestic violence.

We are extremely grateful for the contributions of everyone involved in ACAP and CALM for their time, wisdom and dedication.

### A focus on financial abuse

To raise awareness of AFCA among family and domestic violence advocacy services, with a focus on how we can help resolve complaints involving financial abuse, the Community Engagement team launched a direct email campaign in May 2022. The campaign reached over 500 advocacy services working with victim-survivors of domestic violence. The campaign also directed recipients to a tailored landing page at **afca.org.au** that included resources, case studies and an invitation to register for an introductory webinar.

Representatives from over 70 organisations from across Australia attended the webinar, increasing their awareness of how AFCA resolves complaints involving domestic violence and financial abuse. Feedback was very positive:

*"Excellent. Thank you very much. As a result of the webinar I will be a better case manager and able to equip clients experiencing domestic violence with better choices."*

This important work ensures advocacy services for victim-survivors of family and domestic violence know about AFCA's role and our ability to resolve complaints in a flexible, accessible and sensitive way.

### Outreach

AFCA significantly expanded its community outreach program in 2022–23, including creating opportunities to partner with our fellow industry ombudsman schemes to build trust in EDR across the country.

Face-to-face interaction remains the most trusted form of engagement and our outreach activities significantly contribute towards better awareness of AFCA among the communities we serve.

In 2022–23, we prioritised attending festivals and events to listen, engage and celebrate the resilience and strength of First Nations peoples. AFCA also attended almost 50 events reaching the LGBTQIA+ community, culturally and linguistically diverse people, people living with disability (and their carers), and older Australians.

Some of the events our Community Engagement team attended this year included:

- senior expos in Katherine, Darwin and Alice Springs
- disability expos in Hunter Valley, Gold Coast, Perth, Melbourne and Canberra
- Mardi Gras Fair Day in Sydney and the Midsumma Carnival in Melbourne
- events connecting people who are homeless, or at risk of homelessness with local services in regional NSW.

## 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.

As at 30 June 2022, we had 2,685 Twitter (now known as X) followers, 3,703 Facebook page followers and 17,607 LinkedIn followers.

# 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.

From 1 July 2022 to 30 June 2023, the AFCA website had 859,303 unique visitors (up 12% from 2021–22), and 3,710,853 total page views (up 14% from 2021–22).

# Engagement with the Government

AFCA regularly engages with the Australian Government to discuss a range of topics and issues. We share our complaints data and insights with Ministers and departments to highlight some of the challenges both consumers and financial firms face. As well as our regular meetings with Treasury, this year AFCA also met with the House of Representatives Standing Committee on Economics and appeared at a Senate Estimates Committee. We briefed individual Ministers on the financial complaints impacting their communities, with a particular focus on sharing natural disaster and significant event-related complaints data.

# International engagement

Learning from other ombudsman schemes and financial services industry members across the globe helps us to build and benchmark a robust and resilient dispute resolution environment here in Australia. International engagement also provides an opportunity to share our experiences, learnings and achievements with overseas jurisdictions.

AFCA is a member of the International Network of Financial Services Ombudsman Schemes, and its Lead Ombudsmen are members of the Australian and New Zealand Ombudsman Association.

Some of the highlights of our international engagement in 2022–23 includes:

- Dr June Smith is a member of the Executive Committee of ANZOA.
- The Australian and New Zealand Ombudsman Association's (ANZOA) 'Meeting of the Minds' conference, which AFCA hosted at its Melbourne office on 28–29 July 2023.
- David Locke, our CEO, visited India in October 2022 to speak at the Reserve Bank of India Ombudsman Conference in Jodhpur about AFCA's experience merging three predecessor schemes.
- We spoke to a number of international ombudsman schemes about scams this year, to understand what these organisations were seeing and the regulatory environment in their respective countries. We have had consistent dialogue with the Financial Ombudsman UK and the Financial Industry Disputes Resolution Centre in Singapore, among others.

- We met and spoke with other ombudsman schemes overseas to learn about their IT transformations – taking learnings for our own. This included the Financial Ombudsman Service UK, the Financial Industry Disputes Resolution Centre in Singapore, the Office of the Ombudsman for Short-Term Insurance in South Africa, the Channel Islands Financial Ombudsman, and the Ombudsman for Banking Services and Investments in Canada.
- We met with the Central Bank of Uzbekistan to share insights on how AFCA was formed and how it operates. The Central Bank of Uzbekistan is considering the establishment of a financial ombudsman scheme and is meeting with several ombudsman schemes, including AFCA.
- Dr June Smith conducted training sessions for the Banking Finance and Insurance Institute of Nepal on Australia's regulatory and consumer protection frameworks.

# Consultations we conducted

AFCA publicly consults with stakeholders from time to time. Our public consultations are designed for everyone so we can receive feedback and submissions from a range of stakeholders.

### Approach document consultation

AFCA consulted, published and updated some of its approach documents this year. The purpose of AFCA's approach documents is to explain how we look at common issues and complaint types, give guidance on what to expect from AFCA processes and how we investigate, assess and determine complaints.

Most notably, we consulted on our 'Approach to Claims for Non-Financial Loss' and published our 'Approach to Motor Vehicle Total Loss Complaints'.

In FY22–23, we also commenced work on two new banking and finance approach documents – AFCA's Approach to Responsible Lending and Approach to Appropriate Lending. We commenced consultation on these two new approach documents in July 2023.

### Consultation on proposed changes to AFCA's Rules and Operational Guidelines

AFCA consulted on proposed changes to its Rules and Operational Guidelines from 27 March to 22 May 2023.

The proposed changes were developed to address recommendations made in the Independent Review, with some additional changes to help ensure our Rules and Operational Guidelines remain accurate, up to date and provide clearer guidance about AFCA's jurisdiction and processes.

The consultation ran for eight weeks and included 31 individual meetings with external stakeholders, two webinars with more than 1,100 attendees, and a new webpage that was viewed more than 2,200 times.

This was one of the largest external consultations ever conducted by AFCA, receiving a total of 37 formal written submissions.

Following approvals from the AFCA Board and ASIC, the proposed new Rules and Operational Guidelines will commence on 1 July 2024.

# Consultations and submissions we took part in

In making submissions about reforms to financial services law, regulation and policy, we aim to:

- improve how financial services complaints are resolved
- address systemic and other issues raised in complaints
- reduce complaints
- inform decision makers about the impact of the law and regulations that apply to certain consumer complaints.

Our regular involvement in inquiries, reviews and other consultations includes:

- providing submissions and other information
- engaging with stakeholders
- appearing at parliamentary and senate hearings
- engaging the regulators we report to about trends and patterns in complaints and systemic issues.

We share our data and other insights with regulators and peak bodies to improve practices.

In 2022–23, AFCA consulted on:

- legislation and arrangements to establish a Compensation Scheme of Last Resort for victims of financial misconduct
- Treasury's options paper – Regulating Buy Now, Pay Later in Australia, released November 2022
- the independent review of the Buy Now Pay Later Code of Practice
- the development and expansion of the Consumer Data Right regime
- reform proposals in the Quality of Advice Review
- the National Stigma and Discrimination Reduction Strategy developed by the National Mental Health Commission
- the final report of the review of the *Privacy Act 1988* (Cth) by the Attorney-General's Department
- the implementation of recommendations from independent reviews of the Banking Code of Practice and Banking Code Compliance Committee
- the General Insurance Code Governance Committee priorities
- the Australian Law Reform Commission's Inquiry into Simplification of Financial Services Legislation
- the Inquiry into ASIC Investigation and Enforcement by the Senate Standing Committee on Economics
- legislation restoring consumer access to external dispute resolution after the Federal Court decision in Metlife (***MetLife Insurance Limited v Australian Financial Complaints Authority Limited*** [2022] FCAFC 173)
- updates to the Online Small Business Lenders Code of Practice
- the OECD Consumer Finance Risk Monitor 2023 (and also compiled information)
- proposed changes to the regulation of credit reporting.

# Raising awareness of AFCA

AFCA is committed to ensuring broad community awareness of its role as a national financial ombudsman providing accessible services to all.

In 2021, we developed a three-year strategy to enhance awareness of our existence and role with a data-led approach spanning multiple channels and platforms. The program included revitalising AFCA's website and publicity material, and running awareness-raising activities and campaigns targeting demographic groups less aware of our services.

In 2022–23, we used the results and lessons of the previous year's activities, complaints data and web analytics to develop and implement an 'always-on' awareness approach across our traditional, digital and social media channels.

This approach primarily focused on providing information and resources to vulnerable communities and individuals experiencing a financial dispute, such as those impacted by natural disasters or experiencing financial hardship.

## Awareness research

In late 2020, AFCA research revealed 25% of consumers were aware of our role. Rates of awareness among some vulnerable demographic groups were even lower than this.

In July 2023, we conducted similar research to test and monitor the impact of our awareness-raising work. The research yielded encouraging results, with total awareness of AFCA's role having increased from 25% to 34%.

**"From the very first phone call I received to the final case closure, my case worker was polite, gave attention to detail and was professional. He was very clear in laying out facts and explaining various scenarios."**

*- Feedback from a consumer*

# Accessibility

AFCA is committed to ensuring everyone in the Australian community can readily use our service. In line with the *Disability Discrimination Act 1992* (Cth), AFCA provides information and services in a non-discriminatory way.

Our customers can choose to:

- lodge their complaint in a way that works for them including over the phone, via our website or email
- communicate with us via an interpreter (including Auslan) or the National Relay Service
- request documents in large print, or translated into languages other than English
- nominate a preferred method of communication, such as email or post
- receive additional flexibility with our processes, including extended timeframes to gather records and prepare information
- nominate an authorised consumer representative, or receive a referral to free financial counselling, community legal or other relevant advocacy service.

There is no cost to our customers to engage with us, or to receive any of the additional support we provide.

## Guidance and resources for AFCA people

Not everyone who lodges a complaint with AFCA has the same background, capacity, resilience and resources. Some people are particularly susceptible to consumer detriment, due to personal circumstances or vulnerabilities such as:

- health – including mental health
- the impact of life events including trauma, injury, loss, family violence, incarceration, social and economic factors
- resilience – the ability to cope with stressors and shocks
- capacity – a person's material and physical resources such as language, literacy, hearing, speech, vision and other physical conditions.

The better we understand our customers' circumstances, the better we can tailor our service.

## Customers who received additional support

Last financial year, 3,852 people disclosed they were experiencing difficult circumstances, or indicated they might need additional support from us, with the majority relating to mental health.

| Description | Complaints lodged [1] |
|---|---|
| Cognitive condition | 278 |
| Family violence | 514 |
| Hearing | 224 |
| Literacy | 148 |
| Mental health | 1,859 |
| Other help needed | 832 |
| Physical impairment | 298 |
| Sight and vision | 137 |
| Text telephone | 138 |

[1] One complaint can have multiple difficult circumstance types recorded.

### Other help needed

The second largest indicator, 'other help needed', gives people the option to provide additional information when they lodge their complaint, which may not fall under an existing category.
In the last financial year our customers disclosed a range of lived experiences affecting their ability to manage their financial problems, including autism spectrum disorder, severe PTSD, chronic and terminal illnesses, incarceration, suicidal ideation and homelessness.

## Accessibility guides

To ensure we consistently provide the flexibility, empathy and understanding needed by customers, our people can access documented guidance and training, covering a broad range of topics including family violence, financial elder abuse, suicide prevention, mental health, and physical and cognitive disabilities.

## AFCA's Accessibility and Inclusion network

AFCA has developed a Diversity, Inclusion and Belonging Strategy as part of its commitment to be an employer of choice and to provide an accessible service.

This strategy includes AFCA's Accessibility and Inclusion Network, which harnesses the passion and experience of our people. The network has a governing council of senior people and now consists of employee resource groups and business resource groups.

There are four employee resource groups that support our culture of diversity, inclusion and belonging:

1. Ally Network: celebrates and supports LGBTQIA+ employees and allies.
2. Carer's Network: supports and advocates for employees who have caring responsibilities.
3. Vis-Ability Network: supports and advocates for employees who identify as living with a disability or care for a person who does.
4. MOSIAC: celebrates multicultural and intersectional identities and diverse perspectives.

And there are three business resource groups that consider internal practices to proactively identify ways to increase the accessibility of our service:

1. Mental Health Network: develops strategies to ensure our ways of working support customers experiencing poor mental health.
2. Peer Support Network: provides practical accessibility guidance for our people engaging with customers who disclose lived experience of trauma, including domestic violence.
3. Reconciliation Network: detailed information about our activities, including AFCA's Reconciliation Action Plan is on page 134–136.

# Reflect Reconciliation Action Plan (RAP)

As a national ombudsman scheme that provides services across Australia, AFCA wants to be an organisation that delivers its service to First Nations peoples in a culturally competent, respectful and accessible way.

AFCA has an important role to play in supporting and empowering First Nations peoples to speak up and be heard in relation to financial matters. We acknowledge the strength of oral storytelling, and are committed to providing an adaptable, accessible and flexible service to ensure we meet the needs of all First Nations peoples.

## AFCA's Reflect Reconciliation Action Plan (RAP)

AFCA's Melbourne office is situated on Wurundjeri country and AFCA's Sydney office is on Gadigal country. AFCA acknowledges the traditional owners of country and that the land was never ceded. It is, was and always will be Aboriginal and Torres Strait Islander land.

In December 2022, AFCA affirmed its commitment to reconciliation with the launch of its Reflect Reconciliation Action Plan (RAP). We launched our RAP at special in-person events in our Melbourne and Sydney offices. The events commenced with a special smoking ceremony and Welcome to Country from Wurundjeri man, Thane Garvey in Melbourne and Marrawarra and Barkindji man, Uncle Brendan Kerin in Sydney. This was followed by presentations from Chair of First Nations Foundation and Yorta Yorta man, Ian Hamm, and Executive Director of the Literacy for Life Foundation and Ngemba man, Professor Jack Beetson.

The AFCA RAP outlines the actions we committed to taking in 2023, as we worked towards our vision for reconciliation. These actions focused on strengthening the relationships, respect and opportunities for First Nations peoples, by building trust and understanding, including a commitment to ensuring a deeper understanding throughout our organisation of First Nations peoples and cultures.

As part of our RAP, in 2022–23 we:

- established an internal Reconciliation Working Group to govern the implementation of our Reflect RAP commitments
- conducted research around best practice and principles that support partnerships with Aboriginal and Torres Strait Islander stakeholders and organisations, developing a strategy for how we engage with Aboriginal and Torres Strait Islander community organisations
- conducted a review of cultural learning needs within our organisation, including measuring our people's current level of knowledge and understanding of Aboriginal and Torres Strait Islander cultures, histories and achievements
- launched an AFCA-wide elearning program, which is a companion to Reconciliation Australia's Share our Pride resource, to increase our peoples' awareness of First Nations cultures and histories
- unveiled our artwork story 'Ngalimba', a series of painted canvases in our Sydney and Melbourne offices. Artist Edwin Lee Mulligan's art is now being incorporated into all aspects of work-life at AFCA, and will be fully developed into our brand style guide. You can find out more about the art of Edwin Lee Mulligan on page 4
- reviewed our existing procurement policies to identify barriers to Aboriginal and Torres Strait Islander supplier diversity
- held internal National Reconciliation Week (NRW) and NAIDOC week events in both our Sydney and Melbourne offices

- took part in an online event hosted by Reconciliation NSW, as part of NRW. This event included a keynote presentation from the Hon David Harris MP, Minister for Aboriginal Affairs and Treaty; as well as a panel discussion facilitated by Dr Catherine Keenan, Executive Director and Co-Founder of Story Factory and board members of Reconciliation NSW.
- The panel members included Kishaya Delaney (Wiradjuri), Uluru Youth Dialogue Representative and pro bono solicitor; Herbert Smith Freehills; Mohammad Al-Khafaji, CEO of Federation of Ethnic Communities' Councils of Australia (FECCA); and Aunty Glendra Stubbs (Wiradjuri), OAM, Elder in Residence for both the Jumbunna Institute at UTS and I.D. Know Yourself
- were honoured to hear from Kuku Yalanji elder Daphne Naden, Director at Indigenous Consumer Assistance Network during our NAIDOC week event
- supported our senior leadership team when they attended cultural training on Wureinat Cooranderk in February 2023.

You can find our Reflect RAP at **afca.org.au/reconciliation**.


*Cover of AFCA's Reflect Reconciliation Action Plan*

**AFCA supports the Uluru Statement from the Heart**

During this time, we also actioned a 10-point plan to demonstrate our support for the Uluru Statement from the Heart. We are steadfast in our support for substantive constitutional change, to drive a fair and truthful relationship between our first sovereign Nations and the people of Australia.

# Activities and partnerships with First Nations peoples, communities and community groups

We purposely developed relationships and participate in activities that increase our understanding of First Nations peoples' relationships with money, and to ensure they are aware of their right to complain to the financial ombudsman.

This includes participation in the Australian and New Zealand Ombudsman Association's Indigenous Engagement Special Interest Group, Financial Counselling Australia's annual Yarning Circle and membership of the North Queensland Indigenous Consumer Task Force.

We have also developed strong relationships with Financial Counselling Australia's Financial Capability Community of Practice, along with state-based financial counselling associations, including providing travel bursaries for rural and remote First Nations financial counsellors and financial capability workers to attend conferences.

### Laptops for Literacy

The Laptops for Literacy project began with 11 AFCA laptops being repurposed for digital literacy classes offered to Literacy for Life Foundation students in Yarrabah, Queensland. To date, more than 50 laptops have been provided to the Yarrabah campaign, giving students access to a computer on a one-to-one basis.


### Outreach and events

This year, representatives from the AFCA team attended events and visited a number of First Nations communities across Australia. We were exhibiters at the annual Yabun Festival on Gadigal Country and, for the first time, the Warangesda Festival on Wiradjuri Country. Warangesda is the historical heritage site of one of NSW's first Aboriginal missions. We travelled to Kununurra, on Miriwoong Country in the East Kimberly to attend a regional forum hosted by the Financial Counsellors' Association of WA.

The forum included a visit to the nearby Aboriginal community of Wyndham where we took part in a yarning circle. Community members conveyed their frustration at the lack of access to basic banking services. AFCA made a commitment to use its voice in support of the possibility of expanding the availability of fee-free ATMs in remote First Nations communities.

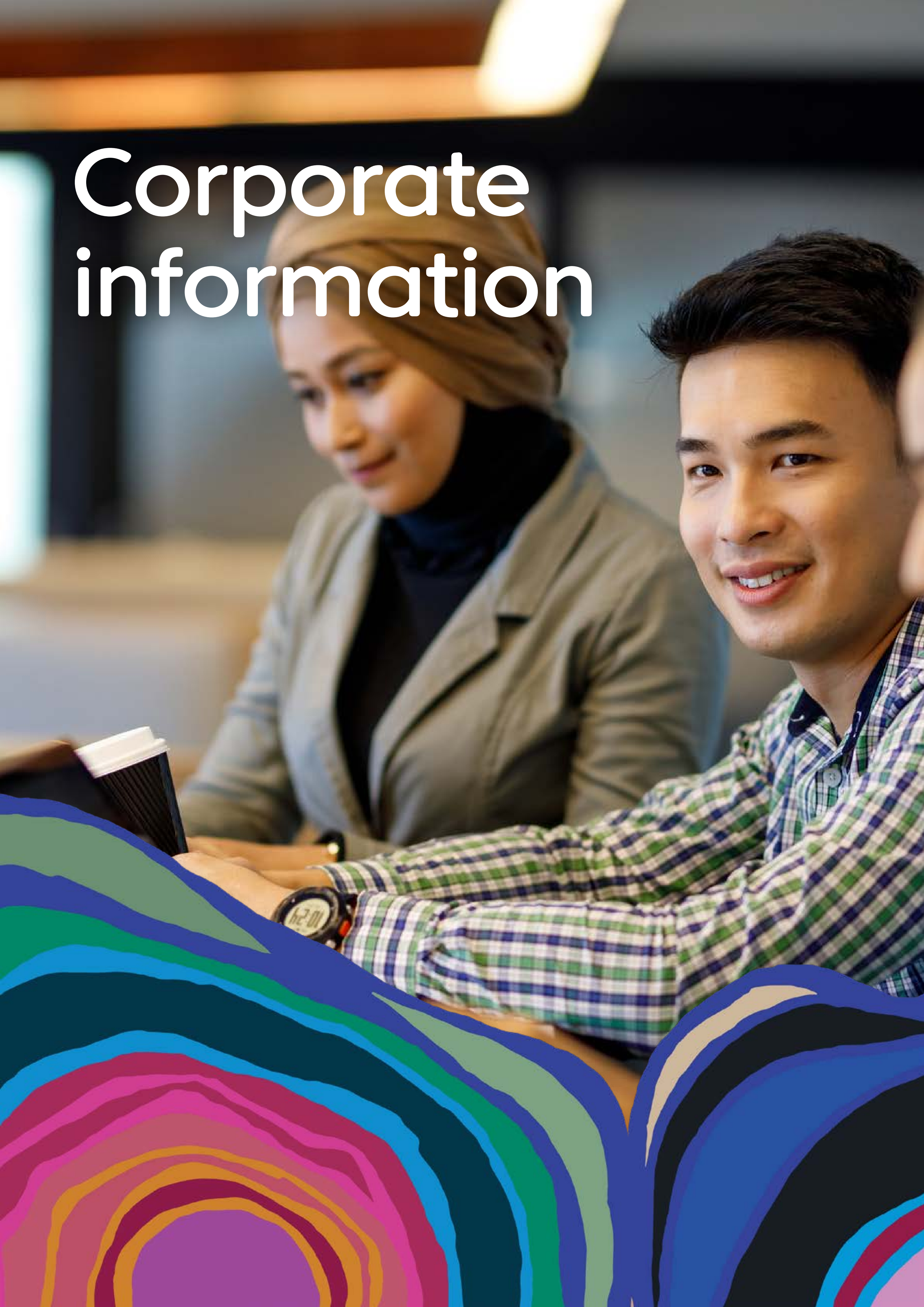
### Thursday Island

As a guest of the Energy & Water Ombudsman Queensland, AFCA Deputy Chief Ombudsman June Smith visited Thursday Island to learn about issues affecting the local community, such as scams and buy now pay later schemes, and explored ways to make AFCA services more accessible there.

### Financial wellness with First Nations Foundation

We were also extremely pleased this year to join the financial community outreach series developed and run by the First Nations Foundation. Financial wellness events are designed to educate and empower Aboriginal and Torres Strait Islander peoples to take control of their financial future. We kicked off our involvement with the series in Penrith in April 2023.

# Corporate information



# Our people and culture

Our people are at the heart of everything we do at AFCA.

Our values and culture shape the way we behave and how we engage with our customers, members and other stakeholders. Our People and Culture Strategy ensures we are focused on attracting the best talent, while engaging, developing and supporting our people to deliver a high-quality service, including during times of heavy workloads.

## Our culture

AFCA has a People for Purpose culture. Our culture story, 'Flourish', sums up who we are. Our four cultural qualities set out the benefits when we show up for each other and our customers.

AFCA's four cultural qualities:

1. Our approach is human-centred.
2. Our teams are empowered and take ownership.
3. Our passion for inclusion sets us apart.
4. Our ideas move us forward.

A Culture Development Plan guides our efforts. This year, we've worked hard to embed the four cultural qualities into our people processes including our:

- recognition program
- engagement surveys
- onboarding activities
- leadership development programs
- performance practices.

Highlights this year were the creation and launch of our:

- Diversity, Inclusion and Belonging Strategy – reflecting our ongoing commitment to fostering an inclusive culture (see more on page 139)
- Above and Beyond program – a recognition program for staff, aligned to the four cultural qualities.

We worked hard this year to improve how we attract and select high-calibre candidates within a competitive employment market. We need people who not only enrich our culture, but align with it. By using assessment centres and providing compelling offerings we have developed a pool of exceptional talent by offering:

- flexible work arrangements
- comprehensive leave benefits
- robust avenues for professional growth.

Our turnover rate of 9.5% is currently below the industry average.

## Leadership

Leaders are a crucial driver of both our culture and our performance as a business. We invested heavily in building leadership capability. Our Leadership Development Framework underpins all our programs and defines AFCA's expected leadership behaviours.

Our suite of offerings includes leader support resources and activities such as:

- coaching
- speaker series
- assessments such as 360 feedback.

This year we facilitated structured leadership development programs for:

- self-leaders (Leader Essentials for Self-Leaders)
- team leaders (Leader Essentials)
- Lead Ombudsmen and Executive Leaders (Strategic Leaders).

These efforts have increased networking and collaboration opportunities for our leaders, and employee engagement surveys consistently deliver positive scores on leader capability.

## Diversity, inclusion and belonging

This year, AFCA proudly launched its Diversity, Inclusion and Belonging Strategy. The strategy stems from our vision that all AFCA employees should feel safe, respected and able to be their authentic selves at work.

The Diversity, Inclusion and Belonging Strategy is run by AFCA's Accessibility and Inclusion Council, founded and supported by Dr June Smith, with recent sponsorship by Chief Ombudsman and CEO David Locke. This Council includes employee members representing a variety of functions, diverse backgrounds, roles and leadership positions within AFCA. It meets bi-monthly to provide updates on progress towards the three-year action plan. The strategy's key pillars are:

1. Strong governance and accountability
2. Inclusive systems and processes
3. Embed inclusive leadership
4. Build diverse thinking teams

We established four Employee Resource Groups this year to enable the voices of AFCA employees to be clearly heard and reflected in our approach. The groups provide opportunities for engagement, support, feedback and a sense of belonging for AFCA employees across:

1. disability (Vis-ability)
2. multiculturalism (Multicultural resource group)
3. being LGBTQ+ (Ally network)
4. being a carer (Carers network)

Each group is chaired by an employee member and has strong sponsorship from a senior executive. The groups influence how AFCA acknowledges and celebrates days of significance for our community with in-person events, webinars, external guest speakers, employee stories and other celebrations. All are well attended.

AFCA values our external partners, who provide best practice guidance and support for our strategic initiatives. We work closely with the Australian Network on Disability, Pride in Diversity, Parents at Work and the Diversity Council of Australia.

We want our work in this space to matter and are proud to have achieved Family Friendly Workplace certification, be placed as a finalist in the Financial Review Boss Best Places to Work awards, and to receive bronze recognition from the Australian Workplace Equity Index.

## Our wellbeing approach

AFCA's vision is to create a healthy and safe working environment, which promotes a positive culture and continuously improves our people's health, safety and wellbeing.

Our Health, Safety and Wellbeing Strategy has three objectives:

1. Promotion: offer initiatives that encourage positive mental and physical health.
2. Prevention: avoid situations or events that can lead to harm.
3. Support: look after employees with mental health or physical challenges.

During the year we prioritised activities and programs that addressed employees' daily challenges, while supporting their health and wellbeing.

## Our people

AFCA grew significantly as an organisation this year to meet the needs of our customers and members. As at 30 June 2023, there was a 19% increase in employees over the last year.

**1,026** employees

**13.06%** of employees work part-time

**34.2%** of employees were born outside of Australia

**43.2%** of employees identify as being culturally or linguistically diverse

**8.9%** of employees are people living with disability

**50.1%** of employees have caring responsibilities

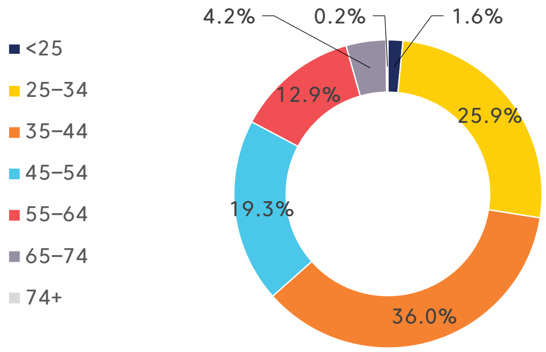
**0.6%** of employees are Aboriginal Australians and/or Torres Strait Islanders

**11.5%** of employees identified as being part of the LGBTQIA+ community

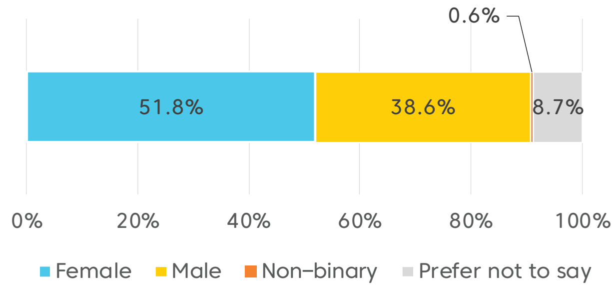
**56%** of our leaders and Board members are female

Source: AFCA Employee Pulse survey April 2023. The survey received 823 responses, which accounted for 93% of employees as at April 2023.

**Age of employees**




**Gender of employees**




Recognising that employee engagement significantly influences performance, satisfaction and retention outcomes, AFCA conducts bi-annual assessments. The information we gain about employee engagement through our surveys turns into action plans to drive change. Our May 2022 survey had 828 respondents with a response rate of 92%, and we found:

- **85.0%** overall engagement at AFCA
- **92.0%** of employees were proud to work for AFCA
- **88.6%** think AFCA is a truly great place to work
- **85.4%** feel they belong at AFCA
- **72.1%** state that working at AFCA motivates them to work above their regular role.

## "I cannot thank my case worker enough for their ongoing support, positive attitude and exceptional professionalism while dealing with my case."

*- Feedback from a consumer*

# Organisational chart

As at 30 June 2023

- **Chief Ombudsman and Chief Executive Officer** – David Locke
  - **Chief Adviser and Head of Government Relations** – Silvia Renda
  - **Executive Assistant** – Jenny Kinsman
  - **General Counsel and Company Secretary** – Anna Campbell
    - **Executive General Manager Compliance, Risk, Policy and Governance** – Michael Ridgway
      - **Head of Risk and Compliance** – Sewak Sidhu
    - **Head of Legal** – Rosanne Rose
    - **Deputy Company Secretary** – Dawn Logan Keeffe
  - **Deputy Chief Ombudsman** – Dr June Smith
    - **Lead Ombudsman Banking and Finance** – Natalie Cameron
      - **Senior Ombudsman Banking and Finance** – Louise McAuliffe
      - **Senior Ombudsman Banking and Finance** – April Blair
    - **Lead Ombudsman Insurance** – Emma Curtis
      - **Senior Ombudsman Insurance** – Vicki Carter
      - **Senior Ombudsman Insurance** – Chris Liamos
      - **Senior Ombudsman Insurance** – Andrew Weinmann
    - **Lead Ombudsman Superannuation** – Heather Gray
      - **Senior Ombudsman Superannuation** – Anne Maree Howley
    - **Lead Ombudsman Small Business and Transactions** – Suanne Russell
      - **Senior Ombudsman Small Business** – Neva Skilton
    - **Lead Ombudsman Investments and Advice** – Shail Singh
      - **Senior Ombudsman Investments and advice** – Nicolas Crowhurst [2]
      - **Senior Ombudsman Investments and advice** – Ian Donald
    - **Executive General Manager Jurisdiction** – Michelle Kumarich
      - **Senior Manager Rules** – Julian Hughes
      - **Senior Manager Systemic Issues and Remediation** – Catherine Tudor
  - **Executive General Manager Operational Delivery** – Gerri Hill
    - **Head of Service Delivery** – Peter Fisher [1]
      - **Senior Manager Insurance** – Dion Newburn
      - **Senior Manager Insurance** – Greg Pickering [1]
      - **Senior Manager Investments and Advice** – Eunice Sim [1]
      - **Senior Manager Superannuation** – Fiona Power [1]
    - **Head of Service Delivery** – Katrina Hack [1]
      - **Senior Manager Banking and Finance** – John Fisher [1]
      - **Senior Manager Banking and Finance** – Penny Smithett [1]
      - **Senior Manager Banking and Finance** – Lyrene Swan
      - **Senior Manager Financial Difficulty** – Paulina Sztukiewicz
    - **Business Operations Manager** – Nicole Palmowski

[1] Secondment
[2] Acting
[3] Acting during parental leave

- **General Manager, Code Compliance and Monitoring**
  Prue Monument
  - **Deputy General Manager**
    Rene van de Rijdt

- **Chief Operating Officer**
  Justin Untersteiner
  - **Executive General Manager Operational Excellence**
    Rob Guest
    - **Head of Membership Services**
      Campbell Daff
    - **Senior Manager Customer Experience**
      Thilini Perera
    - **Senior Manager Customer Service and Resolution**
      Kristine Seeto
    - **Senior Manager Operational Excellence**
      Adam Baer
      - **Senior Manager Workforce Planning**
        Ankur Gupta
  - **Executive General Manager Corporate Services**
    Brigid Parsonson
    - **Chief Information Officer**
      Patrick Williamson
      - **Senior Manager Business Systems And Architecture**
        Michael Jessopp
      - **Senior Manager Fusion Business Integration**
        Jacinta Ryan[1]
      - **Senior Manager IT Operations**
        James Tod
      - **Senior Manager Process Transformation**
        Alexia Fink[1]
    - **Head of Data and Analytics**
      Ben Rashid
    - **Head of Finance**
      Jesse Agbinya
    - **Head of Finance**
      Rachel Bushby[3]
      - **Senior Manager Finance Business Partnering and Transformation**
        Carly Hong
    - **Head of Project Management Office**
      Meredith Walker
    - **Senior Manager Properties and Procurement**
      Harry Ganavas
    - **Senior Manager Procurement**
      Christopher Lynch
    - **Senior Manager Strategy**
      Saziah Bashir[1]
  - **Executive General Manager People and Culture**
    Mathew Paine
    - **Head of Culture and Capability**
      Sue Stone
    - **Head of People Operations and Governance**
      Belinda Rooff
    - **Head of People Partnering**
      Dina Jarvis
    - **Head of Recruitment and Employer Brand**
      Matthew Lant
  - **Executive General Manager Communications, Engagement and Brand**
    Susie Cotterill
    - **Senior Manager Brand and External Communications**
      Nicola Chanen

# Our leaders

### AFCA Senior Leadership Group at 30 June 2023

AFCA is led by a Chief Ombudsman and independent CEO and supported by a strong Senior Leadership Group.

- **David Locke**
  Chief Ombudsman and CEO
- **Justin Untersteiner**
  Chief Operating Officer
- **June Smith**
  Deputy Chief Ombudsman
- **Anna Campbell**
  General Counsel
- **Silvia Renda**
  Chief Adviser and Head of Government Relations
- **Susan Cotterill**
  Executive General Manager – Communications, Engagement and Brand
- **Mathew Paine**
  Executive General Manager – People and Culture
- **Brigid Parsonson**
  Executive General Manager – Corporate Services
- **Michael Ridgway**
  Executive General Manager – Compliance, Risk, Policy and Governance
- **Geraldine Hill**
  Executive General Manager – Operational Delivery
- **Robert Guest**
  Executive General Manager – Operational Excellence
- **Michelle Kumarich**
  Executive General Manager – Jurisdiction
- **Prue Monument**
  General Manager – Code Compliance and Monitoring
- **Natalie Cameron**
  Lead Ombudsman – Banking and Finance
- **Emma Curtis**
  Lead Ombudsman – Insurance
- **Shail Singh**
  Lead Ombudsman – Investments and Advice
- **Suanne Russell**
  Lead Ombudsman – Small Business
- **Heather Gray**
  Lead Ombudsman – Superannuation

### AFCA Senior Leadership Group 2022–23 departures

- **Paul Kearney**
  Executive General Manager – People and Culture

# Decision makers as at 30 June 2023

## Banking and Finance

### Lead Ombudsman

- Natalie Cameron

### Senior Ombudsman

- April Blair
- Louise McAuliffe

### Ombudsmen

- Jesse Marshall
- Alan Price
- Christopher Siemers
- Carolyn Dea
- Ian Clyde

### Adjudicators

- Lauren Wasley
- Andrew Johnstone
- Elizabeth Johnson
- Andrea Barker
- Terri Gladwell

## Small Business

### Lead Ombudsman

- Suanne Russell

### Senior Ombudsman

- Neva Skilton

### Ombudsmen

- Diana Tchorbanov
- Tami Rabinowitz
- Susan Wong
- Anthony Dyrenfurth
- James Taylor
- Damyon Lill
- Geoffrey Bant
- Catherine Armour

### Adjudicator

- Maxwell Pringle

## Insurance

### Lead Ombudsman

- Emma Curtis

### Senior Ombudsmen

- Vicki Carter
- Chris Liamos
- Andrew Weinmann

### Ombudsmen

- Brydie Cook
- Mark McCourt
- Jeevanie Mendis
- Qasim Gilani
- Matthew O’Donoghue
- David Short
- Jennifer Lewis
- Donald O’Halloran
- Helen Moye
- John Price

### Adjudicators

- Daniel King
- Stephanie Kouvas
- Moreen Attia
- Kate Topp
- Angelia Talagala
- Emma Heagney
- Jerome Hew

### Superannuation

**Lead Ombudsman**

- Heather Gray

**Senior Ombudsman**

- Anne Maree Howley

**Ombudsmen**

- Benjamin Norman
- Ben Taylor
- Mervyn Silverstein

**Adjudicator**

- Senthur Kugathasan

### Investments and advice

**Lead Ombudsman**

- Shail Singh

**Senior Ombudsmen**

- Nicolas Crowhurst
- Ian Donald

**Ombudsmen**

- Patrick Hartney
- Alexandra Sidoti
- Graeme Plath

### Banking and Finance 2022–23 departures

**Senior Ombudsman**

- Brenda Staggs

**Ombudsman**

- Jennifer English

### Small Business 2022–23 departures

**Ombudsman**

- Wes Pan

### Insurance 2022–23 departures

**Adjudicator**

- Rebecca Clark

# Feedback about our service

AFCA welcomes feedback from consumers, complainants, representatives of complainants and AFCA members. Feedback is provided via our online feedback form, email, phone or social media.

We take all feedback seriously, positive and negative, and acknowledge its vital role in informing our ongoing efforts and programs to improve and enhance our service.

In 2022–23, we received 287 compliments about our service through our formal complaints and feedback channel. Further positive feedback came via our complainant surveys and other channels.

Among a wide spectrum of positive feedback throughout the year, we received compliments for our professionalism and helpfulness, for determinations and resolutions that we provided, for the informative and guided approach of our process, and for the commitment and dedication of our staff.

We received 1,038 complaints about our service in 2022–23, a 10% increase on the previous financial year. This increase largely reflected the rise in the overall volume of financial firm complaints that we received and handled during 2022–23, rather than any change in the overall quality of our attention to individual cases.

We resolved 1,014 complaints about our service in 2022–23. This was a 3% increase on the previous year and also reflected the higher number of complaints received.

Of the complaints we investigated and finalised, 2,001 (85%) were not upheld or substantiated, and 352 were substantiated.

## Service issues

Service issue complaints cover a range of issues. Typically, they relate to the time taken to deal with complaints, 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 2022–23, the three most common issues raised in service complaints related to delays (317), alleged bias in our process (309) and failure to consider relevant information in a determination (200).

Of the 352 service issues that were upheld during 2022–23, 159 related to delays, 45 related to failure to reply to calls or correspondence, and 27 related to a failure to keep parties informed of progress.

Twenty-one service complaints about determinations were upheld, compared with 23 last year.

No complaints alleging bias in determinations were upheld in 2022–23, consistent with the previous year.

**“Thank you. Really appreciate your great service.”**

*- Feedback from a member*

## Outcomes and timeframes

The most common outcomes for service complaints upheld this year were apologies. Non-financial loss compensation was also provided in relation to a small number of upheld service issues.

We resolved 62% of service complaints within our designated timeframes, a slight decrease from the previous year (64%).

On average, we resolved service complaints within 24 days, a slight improvement on last year's figure of 26 days.

## Areas of focus and further improvements

Our service complaints team continued to work closely with AFCA's quality and customer experience teams, decision makers and leaders throughout the year. They shared insights and issues that arose from complaints and other feedback. We greatly value the insights and opportunities for service improvements that we gain from feedback.

We have also worked to further increase awareness of our service complaints channels, both within AFCA, on our website and in our complaints correspondence. Our internal reporting has been enhanced to ensure trends and insights are captured and shared across AFCA. We also developed new resources to assist AFCA's Case Management teams and leaders in responding more effectively to service complaints.

Throughout the year, we continued to engage and meet regularly with AFCA's Independent Assessor to discuss and advance key issues that the Independent Assessor identified in service complaints investigated by her office, and to enhance consistency in our service complaint handling.

*Case study*

## Improving the accessibility of our service

### Background

A complainant raised concerns about a bank's promised 55-day interest-free period on a credit card, saying the full interest-free period was not applied to all purchases. AFCA investigated the complaint and found it lacked substance (in accordance with paragraph C.2.2(d) of AFCA's Rules). AFCA found the bank's terms and conditions did not promise to provide a 55-day interest-free period for every transaction, and that payment requirements needed to be met.

The complainant subsequently lodged a complaint about AFCA's service, saying they disagreed with AFCA's assessment and that AFCA had ignored the complainant's disability. The complainant had previously advised AFCA that opening attachments with emails caused them pain due to a disability. AFCA had twice provided attachments in emails and not copied the content into the body of the emails.

### Findings and outcome

Our service complaint investigation found that AFCA's level of service should have been better during the Rules Review stage of the case, and that we should have taken better notice of the information provided by the complainant about their disability.

We wrote to the complainant explaining AFCA's process in dealing with complaints that we assess as being outside of AFCA's Rules, along with an acknowledgement and apology for twice overlooking the need to provide information in the body of emails and not as attachments. A small amount of non-financial loss compensation for the distress and inconvenience caused by this service failing was provided to the complainant.

*Case study*

## Addressing all issues in a complaint

### Background

A complaint lodged with AFCA related to the value of a motor vehicle insurance claim and the accessories on the complainant's vehicle. In its decision, AFCA found the insurer had valued the vehicle correctly and that a goodwill offer by the insurer for an additional amount was appropriate. The complainant challenged AFCA's decision, saying some accessories on the vehicle should have been considered separately from the vehicle's market value.

The complainant also asserted that AFCA's preliminary view found that the accessories should have been classified as having separate value, but this was subsequently overturned by the Adjudicator in AFCA's final decision. The complainant stated that AFCA's earlier letters had not addressed all the issues he was concerned about.

### Findings and outcome

The complaint investigation identified some errors in AFCA's service – in particular, where initial correspondence to the complainant and AFCA's preliminary view, did not address all the complainant's concerns. These errors were rectified by the Adjudicator in AFCA's final decision. However, in our service complaint response, we apologised to the complainant for the poor service and offered a small amount of non-financial loss compensation for any stress or inconvenience caused.

The complainant subsequently lodged a complaint with the Independent Assessor, whose investigation found that AFCA had appropriately addressed the complainant's concerns. No recommendations were made by the Independent Assessor.

# Independent Assessor

## About the Independent Assessor

Melissa Dwyer serves as the AFCA Independent Assessor (IA). Chosen by, and reporting directly to, the AFCA Board, the IA works within the IA's Terms of Reference. The IA investigates concerns about how we handle complaints and whether we meet our service delivery standards. It's important to note that under Clauses 8 and 9 of the Independent Assessor's Terms of Reference, the IA can't review the merits of an AFCA decision. Hence, the IA will not consider complaints about AFCA decisions or findings, including determinations and jurisdictional decisions, but can assess whether the AFCA process has been fair.

The IA provides feedback on how we handle complaints and recommends improvements. She is not involved in daily AFCA operations and reports to the AFCA Board.

## Independent Assessor complaints in 2022–23

The IA received 257 complaints. The top five issues for complainants were:

1. inadequate responses to correspondence or calls
2. bias
3. unreasonable delays in responding to a complaint
4. failure to address key issues/concerns
5. lack of procedural fairness.

There were nine complaints from financial firms. Four of these complaints could not be considered by the IA because they were solely about the merits or outcome of a case, AFCA's fees or other membership-related decisions.

## Independent Assessor findings report

The IA received 257 complaints and closed 280. She issued 84 assessments, 25 more than 2021–22.

Seven complaints were withdrawn and eight were closed because the complainant didn't respond to an information request or other correspondence.

One hundred and eighty-one complaints fell outside the terms of reference because:

- they were about the merits of a decision (including jurisdictional decisions) or a financial firm's actions
- AFCA's investigation was either still in progress, or yet to start.

## Proportion of complaints closed following an assessment or an 'outside terms of reference' ruling:

**Assessment**

| Financial year | Total |
|---|---|
| 2020–21 | 32% (61) |
| 2021–22 | 31% (59) |
| 2022–23 | 30% (84) |

**Closed as outside terms of reference/withdrawn/failure to respond**

| Financial year | Total |
|---|---|
| 2020–21 | 68% (131) |
| 2021–22 | 69% (135) |
| 2022–23 | 70% (196) |

Of complaints the IA substantiated, the top five issues were:

1. Communication – inadequate responses to correspondence or calls.
2. Delay – unreasonable delays in progressing a financial firm complaint.
3. Information – poor quality information/advice.
4. Service complaints – delays in responding to an AFCA service complaint.
5. Updates – lack of updates to the parties about the progress of a complaint.

## Recommendations

When a complaint is substantiated, the IA can recommend to AFCA's Chief Ombudsman that we:

- offer an apology
- pay compensation for any distress or inconvenience caused (non–financial loss)
- take other action.

During the 2022–23 financial year, the IA recommended 51 apologies to complainants for service failings and $19,150 in non-financial compensation. Twice, AFCA's IA recommended an increase in non-financial compensation for failings AFCA previously apologised for.

The IA also recommended AFCA take eight 'other business improvement actions', which included the following:

- How AFCA considers issues raised, but not addressed or excluded, in a complaint.
- Ensuring appropriate explanations of decisions are given to the parties post determination.
- Ensuring complainants are aware of how to submit their reasons for objecting to a jurisdictional decision.

AFCA has fully accepted and actioned all recommendations.

## Observations

Clause 3 of the IA's Terms of Reference allows her to recommend ways that AFCA can improve business operations. The IA noted the following themes in 2022–23:

### Accessibility

Some submissions to the IA were unable to be accessed (for technical reasons) or did not meet the threshold for translation into English. The IA said AFCA should advise complainants whenever their submissions were inaccessible, or not going to be translated, so complainants had the opportunity to resubmit or further argue the relevance and importance of their submissions.

### Communication

Communication failings were the biggest category of complaints substantiated. These complaints generally concerned inadequate and/or delayed responses to correspondence or calls (especially post determination) and the provision of poor-quality information/advice.

The IA observed that AFCA's planning for one-off special events, such as handling 'legacy complaints', needed to include better, more proactive communication and risk management plans.

### Fairness and impartiality

Six 'lack of procedural fairness' complaints were substantiated this year (a small percentage overall). For example, AFCA failed to exchange some financial firm submissions, which meant the complainant could not respond to the submissions before we issued our Preliminary Assessment. Most complaints about bias and lack of procedural fairness were not substantiated.

### Efficiency and effectiveness

Many complaints about unreasonable delays in progressing and finalising complaints were substantiated in 2022–23, partly driven by a substantial spike in complaint volumes. The IA is continuing to closely monitor delays and AFCA's communication and management of them.

## Other business improvement recommendations

The IA's seven business improvement recommendations for 2022–23 included the following:

- More staff guidance about sharing of information between cases involving the same parties.
- Making case workers aware of the process and importance of 'unpacking' (downloading to the case file) different parties' submissions.
- Reviewing our approach to third-party authorities to ensure representatives lodge complaints with the complainant's knowledge and consent.
- Reviewing our 'Apprehended Bias Policy and Procedure' and 'Social Media Guideline' so the language and advice is clear and reiterates to staff that both the perception of independence and actual independence are crucial to maintaining public trust.

Business improvement recommendations, together with AFCA's responses, are reported to AFCA's Board. The Board monitors the implementation of the proposed actions. As of June 2023, three of the seven recommendations had been addressed.

## Reporting

During 2022–23, the IA attended AFCA's Board meetings and provided quarterly written reports. She also reported quarterly in writing to ASIC and publicly, via AFCA's website, on a six-monthly basis.

*Case study*

## Sharing information across complaints

### Background

This year, three complainants lodged complaints about AFCA's use of information from one complaint in a separate complaint. The circumstances were that the complainant:

- represented themselves in one complaint and their partner in another
- had two concurrent complaints with different financial firms
- had a current complaint and a closed complaint with the same financial firm.

These complaints highlighted potential issues around complainant privacy and procedural fairness.

Following a thorough investigation, the IA recommended that AFCA develops further guidance for staff on the sharing of information between cases, particularly with regard to procedural fairness, consent and privacy issues.

### Findings and outcome

AFCA reviewed our privacy obligations material. We also sought to develop staff member understanding and awareness by:

1. updating our site and forms to ensure complainants understand that we may need to use information from one complaint to resolve another
2. updating our internal privacy training module accordingly.

# 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.

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.

During 2022–23, the Board met six times, in accordance with its scheduled meetings.

**"Thank you for your thoroughness and attention to detail in the conduct of the investigation and for your considered final report. It has assisted us to obtain continued heightened focus on compliance with consequent resources allocated for recommended operational improvements."**

*- Feedback from a member*

# 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 listed on the ASX, we follow the principles to the extent they apply to us.

This section explains how we apply the ASX principles and recommendations to our company.

## Principle 1: Lay solid foundations for management and oversight

### Functions reserved by the Board and those delegated to management

Since its inception AFCA's Board has adopted a Charter that governs its operations and outlines 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
- review, when required, the Terms of Reference including jurisdictional limits.

The Board does not involve itself in the detail of complaints lodged with AFCA.

During the year, the Board had three committees to help it fulfill its role:

- Audit and Risk Committee
- People and Remuneration Committee
- Nominations Committee

### Appointment of Directors

The Nominations Committee Charter sets out the steps required when appointing or re-appointing Directors and other Board appointees.

### Written terms of appointment

Written agreements set out the terms of each appointment of our Directors and senior executives.

### Direct accountability of Company Secretary to the Board for correct Board operation

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 our people. Our commitment to diversity in the workplace is set out in our Diversity Inclusion Policy and Procedure.

### Evaluation of performance of AFCA's Board

The Nominations Committee ensures a robust system of performance evaluation for Board appointees and the Board itself.

An external performance evaluation was undertaken in late 2019, and the Board performs a regular evaluation.

### Evaluation of performance of AFCA senior management

Since our inception, all our people, including senior managers, have been subject to a performance evaluation process. Line managers conduct employee performance evaluations.
The Chief Ombudsman and CEO is responsible for performance evaluations of senior managers.
The Board's Chair conducts a performance evaluation of the Chief Ombudsman and CEO.

# Principle 2: Structure of the Board to be effective and add value

Board members from 1 July 2022 to 30 June 2023

### 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 unique 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. He 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 currently the Chancellor of Swinburne University of Technology in Melbourne, a Non-executive Director of AGL Energy Limited and GUD Holdings Limited, and is also the Chair of the Advisory Board of Ending Loneliness Together and the Brown Family Wine Group.

### Directors with consumer experience

#### Gerard Brody – BA, LLB

Gerard Brody was appointed to the AFCA Board in May 2023 and brings to the Board his policy, regulatory, legal and consumer experience. Gerard had previously been a member of the AFCA Consumer Advocacy Panel from 2019–22.

He worked as a lawyer, policy officer and consumer advocate for 20 years. He was CEO of the Consumer Action Law Centre, a leading consumer advocacy organisation that provides legal assistance and financial counselling, for 10 years until February 2023.

He is also an experienced director. Gerard served on the board of the Energy and Water Ombudsman Victoria between 2014 and 2023, the Telecommunications Industry Ombudsman since 2022, and Community Legal Centres Australia, the peak body for community legal centres, since 2021. In addition, he is Chair of the Consumers' Federation of Australia, the peak body for consumer organisations in Australia.

#### 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 CEO of Care Financial Counselling and the Consumer Law for 15 years. She is a board member of the ACT Gambling and Racing Commission and a member of the Registration Standards Advisory Board (RSAB). Carmel is also a member of the Australian Financial Security Authority (AFSA) External Advisory Committee, and Chair of the Gambling Harm Community of Practice.

She has been involved with consumer issues for a number of years, including as the previous chair of Financial Counselling Australia for 12 years. Her former roles also included Canberra Community Law board member, ASIC Consumer Advisory Panel member, the FOS Consumer Liaison Group and co-chair of the ACT Anti-Poverty Week Committee.

### Elissa Freeman – BA GAICD

Elissa Freeman was appointed to the inaugural Board on 4 May 2018, and retired from the Board on 3 May 2023. 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 (ACCC).

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.

Elissa Freeman's term ended on 3 May 2023.

### Delia Rickard – BA, LLB

Delia Rickard commenced as an AFCA Director in August 2022. Delia had previously been appointed deputy chair of the Australian Competition and Consumer Commission (ACCC) in June 2012, finishing at the ACCC in January 2023. She has extensive public service experience and a passion for consumer protection, and has worked in a variety of senior roles, primarily at the ACCC and the Australian Securities and Investments Commission (ASIC). Delia is also a Director of Ecstra, IDCare, the Australian Communications Consumer Action Network (ACCAN) and Super Consumers Australia.

Throughout her career she has had a strong interest in financial services and the impact of the financial services industry on vulnerable and disadvantaged consumers. Delia oversaw development of the highly regarded Moneysmart website at ASIC and has been a member of numerous committees at the ACCC, including those on the consumer data right, enforcement, compliance and product safety, as well as the ACCC's Financial Services Competition board. She chaired the ACCC's market study into the cost of insurance in Northern Australia.

Dalia is a trustee of the Jan Pentland Foundation, which provides scholarships for those who want to work as financial counsellors, and is the Chair of Good Shepherd's Advisory Committee on Financial Inclusion Action Plans. She is also the Chair of AHPRA oversight committee on cosmetic surgery reforms.

She was awarded the Public Service Medal in 2011, for her contribution to consumer protection and financial services. Dalia has also been awarded the Society of Consumer Affairs Professionals Lifetime Achievement Award, and in 2022 was named the inaugural winner of the Law Council of Australia's Consumer Rights Award.

Delia Rickard's term commenced on 1 August 2022.

### 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 CEO of the Consumer Policy Research Centre and Chair of the 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.

## 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 and conduct and regulatory risk across a range of sectors and in a variety of roles and organisations, including international experience.

Jennifer previously worked at the National Australia Bank, where her roles included EGM Conduct and 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 Board of the Melbourne International Jazz Festival and is Deputy Chair of the Melbourne Theatre Company Foundation Board. Previous directorships include Heide Museum of Modern Art (Chair), St Vincent's & Mercy Private Hospital and St Vincent's Advisory Council Melbourne.

### Andrew Fairley – AM LLB (Melb) Hon Doc (Deakin) FAICD

Andrew Fairley AM was appointed an industry Director by the Minister for Revenue and Financial Services on 4 May 2018.

Andrew was the independent chair of Together Trustees, which acts as trustee for Equip Super and Catholic Super, with funds under management of $29 billion. He is a commercial and equity lawyer with over 35 years experience in superannuation and is a consultant at Hall & Wilcox. Andrew founded the Law Council of Australia Superannuation Committee and served as its Chair for 10 years.

He is also a Director of Qualitas Securities Pty Ltd and Applied International, as well as a former chair of Zoos Victoria, Parks Victoria and former deputy chair of Tourism Australia.

Andrew is very involved in the philanthropic sector, and is Deputy Chair of the Mornington Peninsula Foundation and the Sir Andrew Fairley 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.

### Gary Dransfield

Gary Dransfield has more than 35 years experience in the retail financial services sector, holding senior roles with Suncorp Group, IAG, Lend Lease, AMP and St George Bank. He commenced as an AFCA Director in January 2022.

Gary 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 Bank, he played an integral role in the successful conversion of St George from a building society to a bank.

He 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.

Gary is currently interim CEO and a Director of the Association of Superannuation Funds of Australia (ASFA) and Chair of the Hollard Insurance Company Limited.

## 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 sectors and exhibits a wide 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.

### Dawn Logan Keeffe – Deputy Company Secretary

Dawn Logan Keeffe is a senior governance professional who joined AFCA in 2023 from New York Stock Exchange-listed Clarivate Plc, a large multinational information and data company. Dawn was company secretary and senior trademark counsel based in Clarivate's London office, then in Sydney. Dawn is a lawyer and chartered company secretary, having started her career in the UK as an intellectual property attorney. She has had extensive experience in Australia and the UK, working in top-tier intellectual property legal practices and in governance and legal counsel roles for large, global corporate entities.

## 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 and Risk Committee, and the Chair of the People and Remuneration Committee. It may be extended to include attendance or membership of 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 of AFCA 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 during 2022–23.

### People and Remuneration Committee

| | Actual attendance | Eligible to attend |
|---|---|---|
| Jennifer Darbyshire | 5 | 5 |
| Carmel Franklin | 5 | 5 |
| Elissa Freeman | 4 | 4 |
| Claire Mackay | 5 | 5 |

### Nominations Committee

| | Actual attendance | Eligible to attend |
|---|---|---|
| John Pollaers | 5 | 6 |
| Andrew Fairley | 4 | 5 |
| Carmel Franklin | 5 | 5 |
| Delia Rickard | 1 | 1 |
| Gary Dransfield | 1 | 1 |

### Extraordinary Board Meeting

| | Actual attendance | Eligible to attend |
|---|---|---|
| John Pollaers | 1 | 1 |
| Gerard Brody | 1 | 1 |
| Jennifer Darbyshire | 1 | 1 |
| Gary Dransfield | 1 | 1 |
| Andrew Fairley | 0 | 0 |
| Carmel Franklin | 1 | 1 |
| Claire Mackay | 1 | 1 |
| Delia Rickard | 1 | 1 |
| Erin Turner | 1 | 1 |

### Skills matrix of AFCA's Board of Directors

The Board Charter states that examples of the core technical competencies that should be found across the Board include the following:

- 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.

The Board formally engaged PwC to assist, in 2020, to develop a Board Skills Matrix and the Board has performed an annual 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 (related to financial services or superannuation) or in consumer advocacy and support relevant to AFCA, they 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 assigned 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
- our values, which are:
  - Fair and Independent
  - Transparent and Accountable
  - Honest and Respectful
  - 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 2022–23.

| | Actual attendance | Eligible to attend |
|---|---|---|
| Andrew Fairley | 5 | 5 |
| Erin Turner | 5 | 5 |
| Delia Rickard | 5 | 5 |
| Gary Dransfield | 5 | 5 |

### 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 declare that 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 our service.

### Information about AFCA and its governance

Information about AFCA can be found on our website (**afca.org.au**), by email (**info@afca.org.au**), or by telephone 1800 367 287, free call on 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 2001* (Cth) 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 and/or social sustainability risks.

# Principle 8: Remunerate fairly and responsibly

### People and 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 AFCA'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

At AFCA, we believe in being clear, honest and accountable to the public.

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

In making determinations AFCA identifies the financial firm the complaint is lodged against, but we don't identify other parties to the complaint.

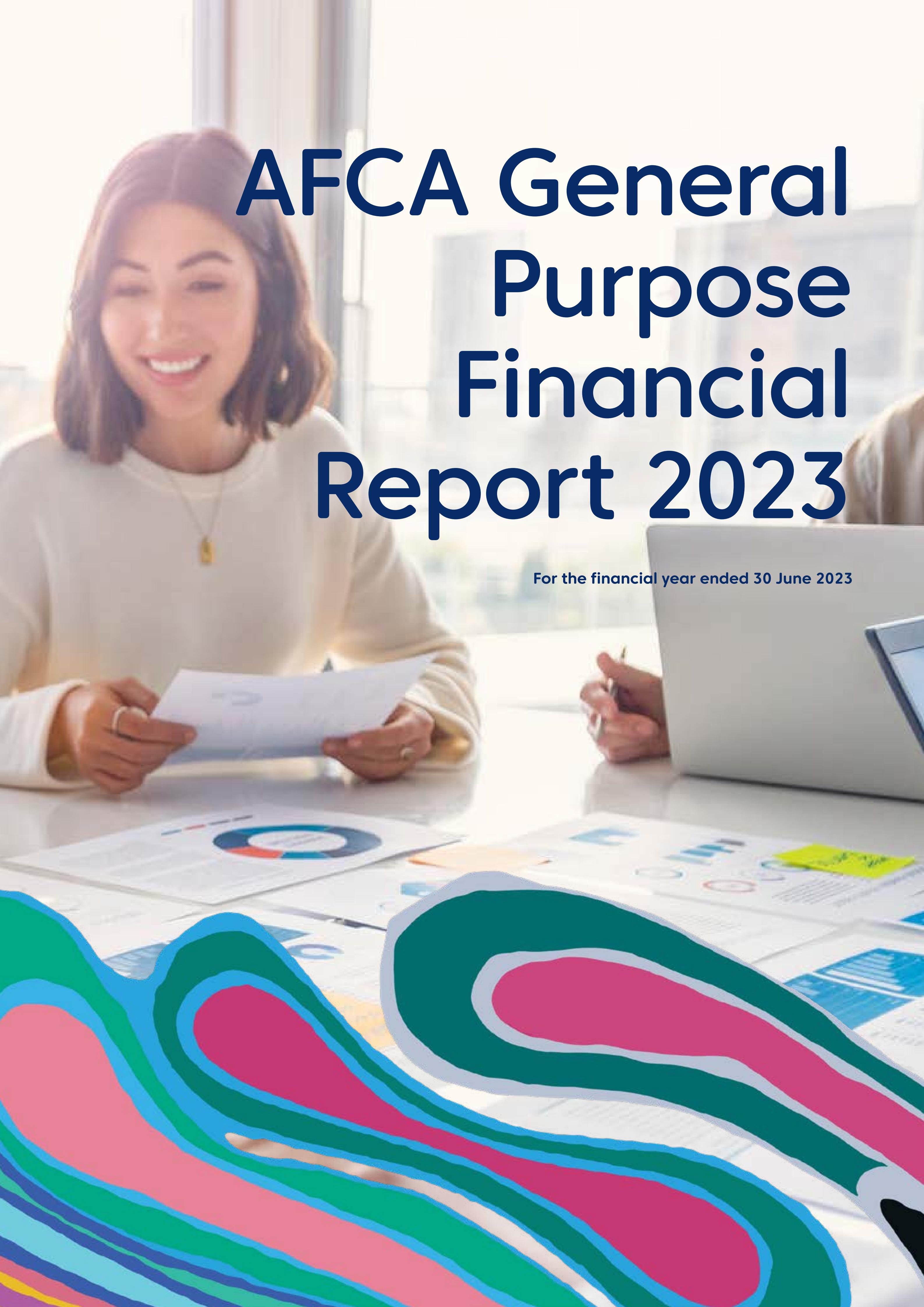
We won't publish a determination that risks identifying any party other than the financial firm.

During 2022–23, we published 3,671 decisions naming the financial firm involved.

Due to compelling reasons provided by financial firms we elected not to publish one decision, as per Rule A.14.5.

**"The case worker that looked after my case was always highly informative and helpful, allowing me to ask questions at any time and provided me with the answers I needed."**

*- Feedback from a consumer*



# AFCA General Purpose Financial Report 2023

**For the financial year ended 30 June 2023**

# Directors' Report

The Australian Financial Complaints Authority Limited ("AFCA") submits herewith the annual financial report of the company from 1 July 2022 to 30 June 2023, 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 154 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 & Risk Committee
- People & Remuneration Committee
- Nominations 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 | | Extraordinary Board | | Audit & Risk Committee | | People & Remuneration Committee | | Nominations Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | Eligible | Actual | Eligible | Actual | Eligible | Actual | Eligible | Actual | Eligible |
| J Pollaers | 5 | 5 | 1 | 1 | - | - | - | - | 5 | 6 |
| J Darbyshire | 5 | 5 | 1 | 1 | - | - | 5 | 5 | - | - |
| A Fairley | 5 | 5 | - | - | 5 | 5 | - | - | 4 | 5 |
| C Franklin | 5 | 5 | 1 | 1 | - | - | 5 | 5 | 5 | 5 |
| E Freeman | 3 | 3 | - | - | - | - | 4 | 4 | - | - |
| C Mackay | 5 | 5 | 1 | 1 | - | - | 5 | 5 | - | - |
| E Turner | 5 | 5 | 1 | 1 | 5 | 5 | - | - | - | - |
| D Rickard | 5 | 5 | 1 | 1 | 5 | 5 | - | - | 1 | 1 |
| G Dransfield | 4 | 5 | 1 | 1 | 5 | 5 | - | - | 1 | 1 |
| G Brody | 2 | 2 | 1 | 1 | - | - | - | - | - | - |

# 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 10,446 active Financial Firms and 34,512 active Authorised Credit Representative members registered at 30 June 2023.

### Operating result

The net deficit for the year from 1 July 2022 to 30 June 2023 was ($3,389,791) (30 June 2022: ($7,869,620)) and total accumulated funds amounted to $25,127,320 (30 June 2022: $28,517,111).

### Complaint numbers

AFCA received 96,987 complaints between 1 July 2022 and 30 June 2023, which is a 34% increase in complaints compared to the last financial year (FY2021/22). AFCA has received 350,603 complaints since commencing on 1 November 2018.

### 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 2023 there were 58 open legacy complaints spread across most product areas, with the majority in banking.

### 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 $375.55 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

### Subsequent Events

#### (a) Establishment of the Compensation Scheme of Last Resort

On 22 June 2023, the Australian Parliament passed legislation establishing a Compensation Scheme of Last Resort (CSLR).

The CSLR is a scheme designed to make payments on a last-resort basis to eligible consumers where determinations by AFCA for compensation remain unpaid, in the financial sub-sectors specified in the legislation. The CSLR will facilitate the payment of up to $150,000 in compensation to consumers who meet the eligibility criteria.

The Federal Government has selected AFCA to establish the CSLR company however it will operate as a separate and independent entity with its own board and funding arrangements put in place by the Government. The Federal Government's intention is that consumers will be able to lodge claims for compensation from April 2024, with the first compensation payments to follow shortly afterwards.

#### (b) IT Transformation – Project Fusion

A key strategic initiative in AFCA's Corporate Plans, Project Fusion is an IT infrastructure program that will transform the way external dispute resolution is managed at AFCA. Project Fusion is AFCA's pathway into the future, delivering a new case management system and member and consumer portals, that will provide a more innovative platform, enabling AFCA to deliver greater excellence and value.

Commencing in FY2021/22, the Scoping & Design phase of the project has been delivered and the project is currently in the Build & Implementation phase, with the project expected to be delivered during FY2023/24. Since the commencement of the project, project costs of approximately $10.5 million have been expended, with an additional $5.0 million outlay projected in FY2023/24. Of the amount expensed to date, $1.16 million has been capitalised (refer to Note 5).

### (c) Macroeconomic conditions

The directors of the company acknowledge the uncertainty in the economic environment that persists, including continuing subdued growth, inflationary pressures and a tight labour market. 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.

### (c) Likely developments and expected results of operations

Continuing demand for service is anticipated and key current trends, including financial scams and the impacts of higher interest rates, are expected to drive increased inflows. Operationally, the organisation is anticipating further growth and is responding to the increases in demand through several strategies including deployment of surge workforce capacity, process automation and the enhancement of service delivery through the IT transformation program, being rolled out in 2023/24.

### (d) Environmental legislation

AFCA is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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 2023, the maximum total members' contribution is $4,495,800 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 170.

## Directors' Declaration

For the financial year ended 30 June 2023, the directors declare that:

a) the financial statements and notes, as set out on pages 177 to 191, 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 2023 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 31st day of August 2023

MOORE

**Moore Australia**

**VICTORIA**
Level 44, 600 Bourke Street
Melbourne VIC 3000
T +61 3 9608 0100

Level 1, 219 Ryrie Street
Geelong VIC 3220
T +61 3 5215 6800

194 High Street
Belmont VIC 3216
T +61 3 5241 3888

**TASMANIA**
161 St John Street
Launceston TAS 7250
T +61 3 6334 0500

victoria@moore-australia.com.au
**www.moore-australia.com.au**

**AUDITOR'S INDEPENDENCE DECLARATION**
**UNDER S 307C OF THE CORPORATIONS ACT 2001**
**TO THE DIRECTORS OF AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Moore Australia
**MOORE AUSTRALIA AUDIT (VIC)**
**ABN 16 847 721 257**

**RYAN LEEMON**
**Partner**
**Audit and Assurance**

Melbourne, Victoria

31 August 2023

MOORE

Moore Australia
VICTORIA
Level 44, 600 Bourke Street
Melbourne VIC 3000
T +61 3 9608 0100

Level 1, 219 Ryrie Street
Geelong VIC 3220
T +61 3 5215 6800

194 High Street
Belmont VIC 3216
T +61 3 5241 3888

TASMANIA
161 St John Street
Launceston TAS 7250
T +61 3 6334 0500

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**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY LIMITED**

## Opinion

We have audited the accompanying financial report of Australian Financial Complaints Authority Limited (the Company), which comprises the statement of financial position as at 30 June 2023, 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 Australian Financial Complaints Authority Limited is in accordance with the *Corporations Act 2001*, including:

    i. giving a true and fair view of the Company's financial position as at 30 June 2023 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 (including Independence Standards)* (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 2023, but does not include the financial report and our auditor's report thereon.

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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. 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

31 August 2023

# Statement of Profit or Loss and other comprehensive income for the year ended 30 June 2023

| | Notes | Year ending 30 June 2023 | Year ending 30 June 2022 |
|---|---|---|---|
| Revenue | 2 | 147,743,605 | 118,618,411 |
| Employee benefits expense | | (118,103,446) | (100,179,482) |
| Office costs | | (458,058) | (652,766) |
| Communication & Stakeholder relations expenses | | (1,615,306) | (634,728) |
| Interest expense on leases | 6 | (2,466,044) | (2,645,649) |
| Occupancy expenses | | (2,827,632) | (3,007,675) |
| Board expenses | | (1,172,384) | (991,056) |
| Impairment gain/(losses) on financial assets | | (225,178) | 224,583 |
| Insurance expenses | | (218,427) | (165,474) |
| Professional assistance expenses | | (8,788,516) | (5,296,380) |
| Depreciation & amortisation expense | | (8,544,791) | (8,812,198) |
| General & administrative expenses | | (1,065,544) | (785,254) |
| Technology expenses | | (5,564,644) | (3,422,443) |
| Other expenses | | (83,425) | (119,509) |
| **Surplus / (Deficit) before tax** | | **(3,389,791)** | **(7,869,620)** |
| **Income tax expense** | | **-** | **-** |
| **Surplus / (Deficit) for the period** | | **(3,389,791)** | **(7,869,620)** |
| **Other comprehensive income** | | **-** | **-** |
| **Total comprehensive income Deficit** | | **(3,389,791)** | **(7,869,620)** |

*Notes to and forming part of the financial statements are included on pages 177 to 191.*

# Statement of Financial Position as at 30 June 2023

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 16 (i) | 20,142,912 | 26,404,107 |
| Trade receivables, prepayments & other debtors | 3 | 32,632,084 | 23,227,882 |
| **Total Current Assets** | | **52,774,996** | **49,631,988** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 4 | 5,519,799 | 5,425,699 |
| Intangible assets | 5 | 1,167,192 | - |
| Right of Use Assets | 6 | 60,575,492 | 68,059,948 |
| **Total Non-Current Assets** | | **67,262,483** | **73,485,647** |
| **Total Assets** | | **120,037,479** | **123,117,635** |

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Current Liabilities** | | | |
| Accounts payable and other payables | 7 | 10,071,700 | 6,732,566 |
| Lease Liabilities | 8 | 5,855,189 | 5,395,451 |
| Provisions | 9 | 12,802,882 | 11,177,823 |
| **Total Current Liabilities** | | **28,759,771** | **23,305,840** |
| **Non-Current Liabilities** | | | |
| Lease Liabilities | 8 | 61,626,580 | 67,511,769 |
| Provisions | 9 | 4,523,809 | 3,782,915 |
| **Total Non-Current Liabilities** | | **66,150,389** | **71,294,684** |
| **Total Liabilities** | | **94,910,159** | **94,600,525** |
| **Net Assets** | | **25,127,320** | **28,517,111** |
| Accumulated Funds | 10 | 25,127,320 | 28,517,111 |
| **Total Accumulated Funds** | | **25,127,320** | **28,517,111** |

*Notes to and forming part of the financial statements are included on pages 177 to 191.*

# Statement of Changes in Equity for the year ended 30 June 2023

| 2023 | Notes | Equity from Previous EDR Schemes | Retained Earnings | Total |
|---|---|---|---|---|
| Balance as 1 July 2022 | | 44,862,983 | (16,345,872) | 28,517,111 |
| Deficit for the period | | - | (3,389,791) | (3,389,791) |
| **Balance at 30 June 2023** | | **44,862,983** | **(19,735,663)** | **25,127,320** |

| 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) |
| **Balance at 30 June 2022** | | **44,862,983** | **(16,345,872)** | **28,517,111** |

*Notes to and forming part of the financial statements are included on pages 177 to 191.*

# Statement of Cash Flows for the year ended 30 June 2023

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from members and others | | 151,519,179 | 133,947,424 |
| Interest received | | 808,597 | 73,155 |
| Payments to suppliers and employees | | (148,405,846) | (128,075,577) |
| Lease Interest | | (2,466,044) | (2,645,649) |
| **Net cash provided by operating activities** | **16 (ii)** | **1,455,886** | **3,299,353** |
| **Cash Flow from Investing Activities** | | | |
| Payment for property plant and equipment | | (1,154,437) | (558,867) |
| Payment for intangible assets | | (1,167,192) | - |
| Redemption for investments in term deposits | | - | 20,000,000 |
| **Net cash provided by / (used in) investing activities** | | **(2,321,629)** | **19,441,133** |
| **Cash Flow from Financing Activities** | | | |
| Payment of lease liability principal | | (5,395,452) | (4,917,108) |
| **Net cash (used in) financing activities** | | **(5,395,452)** | **(4,917,108)** |
| **Cash and cash equivalents at the beginning of the financial period** | | **26,404,107** | **8,580.728** |
| **Net increase / (decrease) in cash and cash equivalents** | | **(6,261,195)** | **17,823,379** |
| **Cash and cash equivalents at the end of the financial period** | **16 (i)** | **20,142,912** | **26,404,107** |

*Notes to and forming part of the financial statements are included on pages 177 to 191.*

# Notes to and forming part of the Financial Statements for the year ended 30 June 2023

## 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 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.

### Basis of preparation

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. 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 31 August 2023.

### 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*

*Specific revenue streams*

The revenue recognition policies for the principal revenue streams of the Company are:

*Membership levies and User Charges*

Annual membership levies and user charges are recorded as revenue in the financial year they relate to. Payments 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.

*Free complaints*

Under the funding model introduced in FY2022/23, AFCA provides five free complaints to all members, applied to the first five complaints closed from the beginning of each new financial year (from 1 July each year). Initial revenue is recorded as complaint fees, with the reduction recorded as 'free decisions' for the forbearance of the case fees.

*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.

*(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) Intangible assets and amortisation*

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Amortisation 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 intangible assets reflected in these statements relate to internally generated software, currently being built as part of AFCA's IT Transformation program. Given that the asset is not yet in use, the costs currently assessed as being directly attributable to the asset are held as work in progress and are not yet being amortised.

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. Amortisation of these assets will commence when the assets are ready for their intended use.

### *(d) 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.

### *(e) 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.

*(f) 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.

*(g) 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.

*(h) 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.

*(i) 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.

*(j) 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.

*(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.

*(m) Accounts Payable & 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 & 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 considering 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.

*Lease liabilities*

Lease liabilities are recognised at the commencement date of a lease. The lease liabilities are initially recognised at the net present value of the lease payments to be made over the term of the lease, discounted using the entity's borrowing rate. The borrowing rate is determined as appropriate on the basis that this would be the interest rate that would apply if borrowing funds over a similar term as the lease, and with a similar security, to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease periods recognised under the lease liabilities are based on the initial terms for each lease and exclude option periods.

Lease liabilities are measured at amortised cost using the entity's borrowing rate. The carrying amounts are remeasured if there is a change in the lease term. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

*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.

*Determination of software assets*

As described in note 1(c) the company estimates intangible assets at cost less accumulated amortisation and impairment losses. For the internally generated software under the IT Transformation program, the directly attributable costs of preparing the separately acquired intangible asset were assessed.

For the activity relating to the build of AFCA's new Case Management System, management estimated that 25% of the build, test and deploy phase is attributed to internally generated software asset, that is, the member and consumer portals. The determination of 25% being attributed to the member and consumer portals was made based on the detailed works in the project plan and which of these related to member and consumer portal, over the entirety of the build, testing and deployment phase.

*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

The following table presents the disaggregation of revenue by service category, with the entirety of revenue generated in Australia. Surplus/(Deficit) for the periods includes the following items of revenue:

| Revenue | 2023 | 2022 |
|---|---|---|
| Complaint fees | 63,952,209 | 72,929,270 |
| AFCA user charge | 70,908,154 | 10,349,311 |
| Membership levies | 5,488,203 | 27,504,358 |
| Interest income | 808,597 | 73,528 |
| Government Grants | - | 2,605,414 |
| Code monitoring | 6,580,107 | 5,156,531 |
| Other sundry income | 6,334 | - |
| **Balance as at 30 June** | **147,743,604** | **118,618,412** |

The disaggregation of revenue provides insights into the revenue streams based on different service categories, which the company considers valuable information for evaluating its revenue generation.

### Note 3: Trade Receivables, Prepayments and Other Debtors

| | 2023 | 2022 |
|---|---|---|
| Trade Receivables | 24,550,088 | 16,421,879 |
| Accrued income | 11,349,569 | 10,423,753 |
| Prepayments | 2,738,170 | 2,157,365 |
| Other Debtors | 94,480 | 92,075 |
| Provision for expected credit loss | (6,100,223) | (5,867,190) |
| **Balance as at 30 June** | **32,632,084** | **23,227,882** |

### Note 4: Property, Plant and Equipment

| 2023 | Plant & Equipment | Leasehold improvements | Work in Progress | Total |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Opening Balance | 4,477,278 | 7,041,716 | 28,365 | 11,547,359 |
| Additions - at cost | 656,630 | 501,389 | (3,585) | 1,154,434 |
| Balance at 30 June 2023 | 5,133,908 | 7,543,105 | 24,780 | 12,701,793 |
| **Accumulated Depreciation** | | | | |
| Opening Balance | 3,446,603 | 2,675,058 | - | 6,121,661 |
| Depreciation expense | 553,766 | 506,569 | - | 1,060,335 |
| Balance at 30 June 2023 | 4,000,369 | 3,181,627 | - | 7,181,996 |
| **Book Value - 30 June 2023** | **1,133,539** | **4,361,478** | **24,780** | **5,519,797** |

| 2022 | Plant & Equipment | Leasehold improvements | Work in Progress | Total |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Opening Balance | 3,859,522 | 7,041,716 | 87,300 | 10,988,538 |
| Additions - at cost | 558,867 | - | - | 558,867 |
| Transfers | 58,935 | - | (58,935) | - |
| Disposals | (45) | - | - | (45) |
| Balance at 30 June 2022 | 4,477,278 | 7,041,716 | 28,365 | 11,547,359 |
| **Accumulated Depreciation** | | | | |
| Opening Balance | 2,600,390 | 2,179,465 | - | 4,779,855 |
| Depreciation expense | 846,213 | 495,593 | - | 1,341,806 |
| Balance at 30 June 2022 | 3,446,603 | 2,675,058 | - | 6,121,661 |
| **Book Value - 30 June 2022** | **1,030,676** | **4,366,658** | **28,365** | **5,425,699** |

### Note 5: Intangible Assets

| 2023 | Computer Software | Work in Progress | Total |
|---|---|---|---|
| **Gross carrying amount** | | | |
| Opening Balance | - | - | - |
| Additions - at cost | - | 1,167,192 | |
| **Balance at 30 June 2023** | **-** | **1,167,192** | **1,167,192** |

### 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 | 2023 | 2022 |
|---|---|---|
| **AASB 16 amounts recognised in the Balance Sheet** | | |
| Right of Use Asset - Building & Leasehold Fit out | 83,806,715 | 83,806,715 |
| Accumulated Amortisation | (23,231,223) | (15,746,767) |
| **Net Book Value** | **60,575,492** | **68,059,948** |

| Movement in carrying amounts | 2023 | 2022 |
|---|---|---|
| Opening Balance | 68,059,948 | 75,544,404 |
| Amortisation expense | (7,484,456) | (7,484,456) |
| **Net Book Value** | **60,575,492** | **68,059,948** |

| AASB 16 related amounts recognised in the statement of profit or loss | 2023 | 2022 |
|---|---|---|
| Amortisation charge related to right-of-use assets | 7,484,456 | 7,484,456 |
| Interest expense on lease liabilities | 2,466,044 | 2,645,649 |
| Makegood interest expense | 43,131 | 41,650 |
| **Balance as at 30 June** | **9,993,631** | **10,171,755** |

### Note 7: Accounts Payable & Other Payables

| | 2023 | 2022 |
|---|---|---|
| Trade Payables and Accruals | 7,029,918 | 3,535,227 |
| Deferred Income | 588,216 | 1,010,535 |
| Amounts due to Australian Taxation Office | 2,453,566 | 2,186,804 |
| **Balance as at 30 June** | **10,071,700** | **6,732,566** |

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. In FY2022-23, undiscounted lease payments totalled $7.864 million.

#### Lease liabilities - current

| | 2023 | 2022 |
|---|---|---|
| Lease Liability - AASB 16 Leases | 5,885,189 | 5,395,451 |
| **Balance as at 30 June** | **5,885,189** | **5,395,451** |

#### Lease liabilities - non-current

| | 2023 | 2022 |
|---|---|---|
| Lease Liability - AASB 16 Leases | 61,626,580 | 67,511,769 |
| **Balance as at 30 June** | **61,626,580** | **67,511,769** |

*Future lease payments*

| | | |
|---|---|---|
| Future lease payments are due as follows: | | |
| Within one year | 8,180,547 | 7,864,308 |
| One to five years | 36,135,229 | 34,743,730 |
| More than five years | 34,341,806 | 43,913,851 |
| | **78,657,582** | **86,521,889** |

Amounts included in the Statement of Profit and Loss for low value and short-term leases in FY2022/23 is nil (FY2021/22: nil).

### Note 9: Provisions

#### Provisions - Current

| | 2023 | 2022 |
|---|---|---|
| Employee Benefits | 12,802,882 | 11,177,823 |
| **Balance as at 30 June** | **12,802,882** | **11,177,823** |

#### Provisions - Non-Current

| | 2023 | 2022 |
|---|---|---|
| Employee Benefits | 3,168,353 | 2,470,591 |
| Make Good Provision | 1,355,456 | 1,312,324 |
| **Balance as at 30 June** | **4,523,809** | **3,782,915** |

The Makegood Provision represents the present value of the estimated costs to make good the premises leased by the Company at the end of the respective lease term.

*Movement in Provisions*

| 2023 | Employee Benefits | Make Good | Total |
|---|---|---|---|
| Carrying amount at the start of the year | 13,648,414 | 1,312,324 | 14,960,738 |
| Additional provisions required | 9,585,730 | 43,132 | 9,628,862 |
| Amount used | (7,262,909) | - | (7,262,909) |
| **Balance as at 30 June** | **15,971,235** | **1,355,456** | **17,326,691** |

### Note 10: Accumulated Funds

| | 2023 | 2022 |
|---|---|---|
| Opening Balance | 28,517,111 | 36,386,730 |
| Net Surplus/(Deficit) for the year | (3,389,791) | (7,869,619) |
| **Balance as at 30 June** | **25,127,320** | **28,517,111** |

### Note 11: Remuneration of auditors

| | 2023 | 2022 |
|---|---|---|
| (a) Auditing the Financial Report | 56,500 | 48,500 |
| **Total Remuneration of auditors** | **56,500** | **48,500** |

### Note 12: Capital Commitments

**Committed at the reporting date but not recognised as liabilities, payable:**

| | 2023 | 2022 |
|---|---|---|
| Computer software | 1,216,927 | - |

### Note 13: Contingent Assets

A grant funding application for CSLR for $5.284 million was approved by Treasury on 29 August 2023. Payment of this grant is subject to AFCA and Treasury (on behalf of the Commonwealth) entering into a Grant Agreement, with the intention to negotiate and enter into the Grant Agreement in September 2023.

### Note 14: Contingent Liabilities

At 30 June 2023, an amount of $2.1 million is subject to guarantee over the Company's leased premises. During the financial year, AFCA was a party to legal proceedings relating to an appeal of a decision. The appeal was upheld and a subsequent costs submission was put forward to the court. Should there be an unfavourable costs order against AFCA, the amount payable will be subject to a costs assessment process and may also be negotiated between the parties. As the likelihood of a costs order and amount cannot be accurately estimated, no provision has been provided. Additionally, the estimated future outlay for AFCA's IT Transformation program is approximately $5.0 million and is anticipated to impact in FY2023-24.

### Note 15: 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 2023, the maximum total members' contribution is $4,495,800 (2022: $4,248,800) if it was required by the company at winding-up.

### Note 16: Notes to the Cash Flow Statement

#### Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

| Cash and Cash Equivalents | 2023 | 2022 |
|---|---|---|
| Cash at bank - unrestricted | 18,045,373 | 9,636,272 |
| Term deposits - maturity 3 months or less | - | 15,000,000 |
| Cash at bank - held against bank guarantees | 2,097,539 | 1,767,835 |
| **Balance as at 30 June** | **20,142,912** | **26,404,107** |

| (ii) Reconciliation of surplus/(deficit) for the period to net cash flows from operating activities | 2023 | 2022 |
|---|---|---|
| Surplus / (Deficit) for the year | (3,389,791) | (7,869,619) |
| Depreciation & amortisation | 8,544,791 | 8,812,198 |
| Provision for doubtful debts | 233,033 | (224,583) |
| Changes in net assets and liabilities: | | |
| **(Increase)/decrease in assets:** | | |
| Trade debtors | (8,110,406) | 77,011 |
| Other debtors and prepayments | (1,526,830) | 3,150,630 |
| **Increase/(decrease) in liabilities:** | | |
| Trade creditors & accruals | 3,761,453 | (594,855) |
| Deferred income & income received in advance | (422,319) | (32,497) |
| Provisions | 2,365,952 | (18,932) |
| **Net cash from operating activities** | **1,455,886** | **3,299,353** |

## Note 17: Financial Instruments Disclosure

### (a) Financial risk management objectives

The company's finance department provides services to the business, coordinates access to domestic financial markets, monitors and manages financial risks relating to the operations of the company.

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The finance department reports quarterly to the company's Audit & Risk Committee.

### (b) Market risk

The company's activities expose it to the financial risks of changes in interest rates (refer note 17(d)). There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

### (c) Foreign currency risk management

The company does not undertake foreign currency transactions.

### (d) Interest rate risk management

The company does not borrow funds.

The company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

*Interest rate sensitivity*

The sensitivity analysis below has been determined based on the exposure to interest rates for cash deposits at the reporting date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

The company's sensitivity to interest rates has decreased during the current period mainly due to an increase 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 requirements. The company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows.

The company does not have any derivative financial liabilities or assets.

### (g) Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

## Note 18: Key Management Personnel Compensation

Key management personnel includes:

- Chair of the Board, all Directors and the Company Secretary;
- the Chief Ombudsman & Chief Executive Officer, Deputy Chief Ombudsman, General Counsel, Chief Operating Officer, all Lead Ombudsman; and
- all Executive General Managers.

| Directors | 2023 | 2022 |
|---|---|---|
| Short Term Employee Benefits | 867,327 | 795,162 |
| **Total benefits** | **867,327** | **795,162** |

| Senior Management | 2023 | 2022 |
|---|---|---|
| Short Term Employee Benefits | 5,809,037 | 5,431,477 |
| **Total benefits** | **5,809,037** | **5,431,477** |

## Note 19: Related Party Disclosures

Key management personnel compensation is shown in Note 18. No loans have been made to key management personnel of the company or to their related entities. There were no other transactions with any related party.

## Note 20: Subsequent Events

### (a) Establishment of the Compensation Scheme of Last Resort

On 22 June 2023, the Australian Parliament passed legislation establishing a Compensation Scheme of Last Resort (CSLR).

The CSLR is a scheme designed to make payments on a last-resort basis to eligible consumers where determinations by AFCA for compensation remain unpaid, in the financial sub-sectors specified in the legislation. The CSLR will facilitate the payment of up to $150,000 in compensation to consumers who meet the eligibility criteria.

The Federal Government has selected AFCA to establish the CSLR company however it will operate as a separate and independent entity with its own board and funding arrangements put in place by the Government. The Federal Government's intention is that consumers will be able to lodge claims for compensation from April 2024, with the first compensation payments to follow shortly afterwards.

### (b) IT Transformation – Project Fusion

A key strategic initiative in AFCA's Corporate Plans, Project Fusion is an IT infrastructure program that will transform the way external dispute resolution is managed at AFCA. Project Fusion is AFCA's pathway into the future, delivering a new case management system and member and consumer portals, that will provide a more innovative platform, enabling AFCA to deliver greater excellence and value.

Commencing in FY2021/22, the Scoping & Design phase of the project has been delivered and the project is currently in the Build & Implementation phase, with the project expected to be delivered during FY2023/24. Since the commencement of the project, project costs of approximately $10.5 million have been expended, with an additional $5.0 million outlay projected in FY2023/24. Of the amount expensed to date, $1.16 million has been capitalised (refer to Note 5).

(c) Macroeconomic conditions

The directors of the company acknowledge the uncertainty in the economic environment that persists, including continuing subdued growth, inflationary pressures and a tight labour market. 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.

### (d) Likely developments and expected results of operations

Continuing demand for service is anticipated and key current trends, including financial scams and the impacts of higher interest rates, are expected to drive increased inflows. Operationally, the organisation is anticipating further growth and is responding to the increases in demand through several strategies including deployment of surge workforce capacity, process automation and the enhancement of service delivery through the IT transformation program, being rolled out in 2023/24.

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.

# 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 | **Account-based pension**<br>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.<br>**Lifetime pension**<br>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.<br>**Transition to retirement pension**<br>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. |
| 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 | 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:<br>1. Registrable Superannuation Entities (RSEs) that are regulated by APRA<br>2. Self-managed superannuation funds regulated by the ATO<br>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.<br>APRA-regulated RSE licensees are generally classified into four types:<br>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.<br>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.<br>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.<br>4. Public sector funds – a superannuation fund established for employees of federal and state government departments. They are generally only available to government employees. They may provide higher employee contributions than the statutory minimum. |
| Term life | Term life insurance pays a death benefit if the life insured dies during the term of the policy (before the policy expires). |
| Total and permanent disability | Total and permanent disability insurance (TPD) provides a lump sum payment if a person become totally and permanently disabled. |
| Trauma | Trauma (or critical illness) insurance provides a lump sum benefit if a person is diagnosed with a specified illness or injury. These types of products cover major illnesses or injuries that will impact a person's life and lifestyle. |
| Travel insurance | A policy that covers things such as lost luggage, illness, loss or theft while you are travelling, or any disruption to your travel plans. |
| 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:<br>• inappropriate cancellation of an insurance policy<br>• policy cancellation without the authority of the complainant. |
| Credit reporting | Complaints about consumer or commercial credit reporting. |
| Decline of financial difficulty request | The financial firm declines a request for assistance made on the basis of financial difficulty. For example:<br>• a request for assistance, such as a repayment variation, is declined and no offer is made by the financial firm<br>• the financial firm has not provided reasons for its decision to decline a request for assistance. |
| Default judgment obtained | The financial firm has obtained default judgment, but the complainant considers that it should be stayed on the basis of financial difficulty. |
| Default notice | The financial firm issues a default notice under section 88 of the *National Consumer Credit Protection Act 2009* (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:<br>• redemption requests actioned only after the unit price has dropped<br>• renewal notices not issued on time<br>• insurance cover not arranged on time<br>• delay in clearing a cheque<br>• loan approval delay<br>• settlement delay. |

| Issue | Definition |
|---|---|
| Delay in claim handling | The financial firm has delayed actioning or processing a complainant's claim. For example:<br>• delay in handling an insurance claim<br>• delay in processing a chargeback request or EFT claim. |
| Denial of claim | The financial firm has denied the complainant's claim. For example:<br>• the denial of a claim for insurance benefits<br>• an unsuccessful request for a cardholder chargeback<br>• a disputed merchant chargeback<br>• a PayPal buyer/seller complaint. |
| Denial of claim – exclusion/condition | 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:<br>• damage caused by an event, such as a flood, and the event is excluded under an insurance policy<br>• 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. |
| Denial of claim – no proof of loss | 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. |
| Failure to act in client's best interests | Failure to act in the client's best interests in providing financial advice. |
| Failure to follow instructions/ agreement | Failure to follow instructions or to act in accordance with an agreement (written or oral). For example:<br>• breach of contract (written or oral)<br>• failure to follow written instructions (e.g. direct debit authority not followed, payee name on cheque ignored, internet banking instructions not followed)<br>• non-redemption following request, failure to sell stock, failure to buy or sell a financial product when requested to do so<br>• insurance cover not arranged, including renewals<br>• insurance policy not cancelled<br>• sum insured not increased, or change of vehicle not noted on the contract. |
| Financial firm failure to respond to request for assistance | The financial firm fails to respond to a request for assistance due to financial difficulty. The request may be actual or implied. |

| Issue | Definition |
|---|---|
| Inappropriate advice | Inappropriate or insufficient financial advice provided. For example:<br>• inappropriate product or investment strategy advice<br>• inappropriate client advice<br>• general financial advice provided when personal advice was needed. |
| Incorrect fees/costs | The financial firm has charged the complainant the wrong amount of fees or other costs for the product or service provided. For example:<br>• fees/costs not charged in accordance with disclosed information<br>• fees/costs excessive, inappropriate or wrong. |
| Incorrect premiums | Incorrect premium charged by the financial firm. For example:<br>• the financial firm has charged the complainant the wrong amount of premium for the insurance provided<br>• the broker has charged the client the wrong amount of premiums for the insurance provided. |
| Interpretation of product terms and conditions | The complainant does not agree with the financial firm's interpretation of the terms and conditions of a product or service. For example:<br>• disagreement about a definition<br>• disagreement about the interpretation of another term or condition.<br>NB: if the complaint concerns the denial of an insurance claim use the most appropriate "Denial of claim" classification. |
| Misleading product/ service information | 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:<br>• 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.<br>NB: If the complaint relates to a fee or charge use 'Fee disclosure' or 'Fixed interest loan break cost disclosure' instead. |
| Mistaken internet payment | A payment made to the wrong person via internet banking. For example:<br>• where the sender entered a wrong account number or BSB<br>• where an error by the sending or receiving financial firm has resulted in the payment being sent to the wrong account. |
| Repayment history information | The financial firm has incorrectly placed repayment history information on a credit file |

| Issue | Definition |
| --- | --- |
| Request to suspend enforcement proceedings | The financial firm continues action to recover a debt after a financial difficulty request has been made. For example:<br>• the financial firm continues or commences legal proceedings<br>• the financial firm commences or continues general recovery action, including taking possession of secured property and inappropriate collection activity (including harassment claims after a financial difficulty request). |
| Responsible lending | 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. |
| Service quality | Other service-related issues that do not fit within other service categories. For example:<br>• staff behaviour<br>• other service issues. |
| Unauthorised transaction | Unauthorised transactions performed on a complainant's account. For example:<br>• unauthorised direct debit<br>• forged cheques and withdrawal slips<br>• stolen card ATM withdrawals<br>• credit card transactions not authorised by the cardholder<br>• purchase or sale of investments without written or verbal authority to do so<br>• an insurance claim paid to someone other than the insured and/or a refund provided to another party. |
| Unconscionable conduct | A statement or action by the financial firm that is so unreasonable or unjust that it is against good conscience. For example:<br>• not allowing enough time to consider a contract<br>• requiring someone to sign a blank agreement. |

# 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 *Privacy Act 1988* (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 | *National Consumer Credit Protection Act 2009* (Cth) | 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

Australian Financial
Complaints Authority

**1800 931 678** (Free call)
(9 am to 5 pm from Monday to Friday)
**(03) 9613 6399** (Fax)
**info@afca.org.au** (Email)

**afca.org.au/complaints** (Complaint form)

GPO Box 3 Melbourne VIC 3001

**www.afca.org.au**