Systemic Issues Insights Report

Quarters 1 and 2
Financial year 2023–24

Edition 4

Contents

About this report

Regulatory Guide 267 *Oversight of the Australian Financial Complaints Authority* requires AFCA to identify, refer and report to regulators systemic issues arising from complaints it receives. AFCA must also report any serious contraventions of the law and other reportable matters listed in section 1052E of the Corporations Act 2001 (Cth).

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 helps to minimise consumer harm.

Our work also supports financial firms to identify systemic issues 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).

While AFCA is not a regulator, we operate within the broader regulatory framework by providing information to regulators in accordance with our obligations. Our reports to regulators ensure they are promptly informed of issues within the industry and can take action as they deem appropriate.

By continuing to engage with financial firms on systemic issues once we have identified and reported them, AFCA helps financial firms to address systemic issues early, minimise complaints flowing through to external dispute resolution and improve industry practice.

In this report AFCA shares case studies, findings and key insights from a range of systemic issues cases across the industry.

We encourage financial firms to use these case studies and insights to continuously improve their own practices and customer experience.

Summary of outcomes delivered

Identified and investigated systemic issues resulting in remediation to **139,011** consumers

$40,403,251.46 in refunds were made to consumers

Conducted **111** detailed possible systemic issues investigations (with some investigations being ongoing)

Resolved **43** systemic issues with financial firms

In addition to the $40 million in refunds, other outcomes for consumers included:

- Corrected adverse reporting history information (RHI) incorrectly reported on customer credit files
- Corrected incorrect credit liability information (CLI) on customer credit files
- Refunded incorrectly charged late payment fees and ensured payments were allocated correctly so account balances displayed correctly
- Contacted impacted consumers who did not receive a twice-yearly statement, as per the terms of their policy, and
- Provided revised disclosure to consumers about trading limits on their trading accounts, ensuring they are consistent with the operation of the trading platform.

Reporting to regulators

93 matters reported in the first half of financial year 23–24

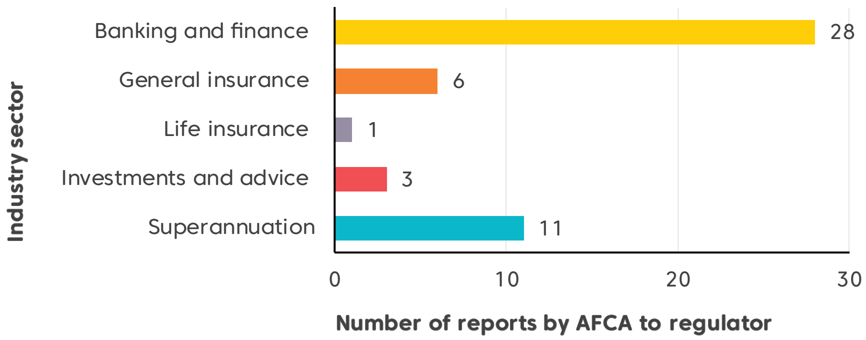
49 systemic issues reported

44 other matters reported (referrable under section 1052E of the *Corporations Act 2001* (Cth)) including:

- **7** serious contraventions of the law
- **36** refusals or failures by parties to give effect to an AFCA determination, and
- **1** contravention of the rules of a regulated superannuation fund.

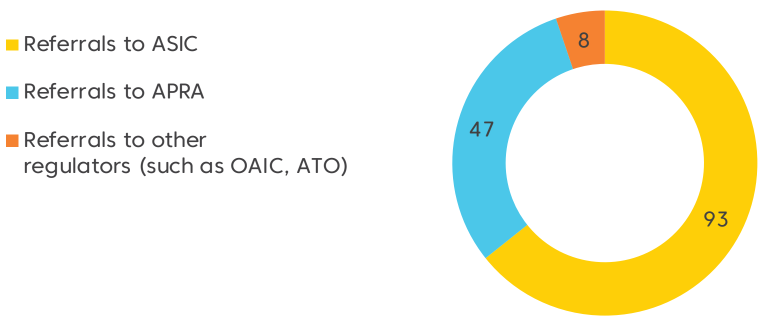
Systemic issues across industry sectors

The number of systemic issues identified and confirmed across industry sectors.



Total reports to regulators in the first half of financial year 23-24

The total number of reports made in the first half of the financial year including systemic issues and other matters reported, with some reports provided to more than one regulator.



Responding to systemic issues

Financial firms that are proactive and take accountability for systemic issues and make changes to their culture and ways of working (alongside implementing fixes for immediate issues) can protect against future issues and reduce customer complaints in the long term.

The following examples show how firms can take effective action in relation to a systemic issue to help reduce harmful effects on consumers.

Best practice engagement with AFCA

In the case study below the financial firm demonstrated best practice in it its engagement with AFCA's systemic issues team. This led to the financial firm developing solutions that enhanced their customers' experience. In particular, how it engages with third-party representatives that may be assisting vulnerable consumers. Some of the key elements of the engagement were:

- Key representatives of the financial firm met with AFCA to discuss the possible systemic issue
- AFCA wrote to the financial firm outlining why we considered the issue may be systemic
- The financial firm quickly confirmed that they considered the issue to be systemic by identifying a breakdown in its processes, that led to a poor customer experience, and
- The financial firm developed a comprehensive action plan to rectify the failures.

Dealing with third party representatives

Improving the customer experience for vulnerable consumers

A financial firm worked quicklyto resolve a systemic issue that arose due to stafffailing to comply with policies and proceduresfor accepting third-party representatives oncomplaints. The financial firm engaged with AFCAto understand the issues being raised. Following a review of the issue, the financial firm agreed it failed to meet its own standards on several occasions and this may have affected vulnerable consumers who appointed financial counsellors to act on their behalf. Once the issue was identified, the firm took a holistic approach to address the issue including undertaking an end-to-end process review to identify where the failures were occurring and the underlying cause. Some key cultural and behavioural traits the firm demonstrated included:

- taking responsibility and accountability for the issue
- moving quickly once AFCA raised the issue
- undertaking a complete and thorough review of the issue and
- implementing solutions that ensured the firm would provide additional assistance and support to vulnerable consumers including:
  - processes and controls
  - training
  - resources

Take note

Consumers can appoint a third party to act on their behalf on a complaint. Where a consumer nominates a third-party representative to act on their behalf, financial firms should ensure their processes do not create unnecessary barriers to dealing with these representatives. Consumers represented by consumer advocates, such as financial counsellors and community workers, are often vulnerable members of the community. Firms should ensure they provide additional help and support to vulnerable consumers, including through dedicated focus, prioritisation and care. This may include training their people to communicate effectively and sensitively with vulnerable consumers.

Common systemic issues across industry sectors

On the following pages are a selection of case studies involving systemic issues across the financial services industry that we investigated between 1 July and 31 December 2023. They affected consumers who had not lodged a complaint with AFCA.

Some systemic issues impacted large numbers of consumers while others impacted a small group. No matter the number of impacted consumers, in most cases financial firms worked to ensure consumers were remediated fairly and appropriately. In cases where a financial firm did not engage with AFCA or take steps to resolve the systemic issue, we referred the matter to the appropriate regulator. The case studies have been selected to illustrate common types of issues observed across the relevant sector.

Banking and finance

Common systemic issues

- Compliance with Regulatory Guide 271: Internal Dispute Resolution
- AFCA engagement: Collection activity during open AFCA complaints
- Dealing with third party representatives
- Failure of an automated system causing an error
- Dealing with scams including elements of prevention, investigation, recovery and communications.

Compliance with Regulatory Guide 271: Internal Dispute Resolution (RG 271)

"Digital first" model makes IDR processes less accessible

A financial firm moved to a "digital first" Internal Dispute Resolution (IDR) model which was impacting its customers' ability to make complaints. The digital model substantially moved customers to written form complaint lodgement methods only via mobile app and web and removed the ability to make inbound calls.

RG 271 has enforceable paragraphs which require a firm to have IDR processes that are accessible, including for people with disability or language difficulties, and flexible, with multiple complaint lodgement methods (including telephone, email, letter, in person and online).

Soon after the firm implemented its digital strategy, AFCA started to receive many complaints reporting stressful experiences dealing with the firm at IDR. For example, customers said they could not contact the firm by phone, had issues logging into the firm's mobile app to contact it digitally, needed to engage in lengthy email correspondence to assist the firm to understand the issue, were requested to provide information multiple times, had to deal with multiple staff on a complaint, were provided with different complaint reference numbers and received responses which did not address the issues raised in the complaint, often being automated and templated responses.

The firm disagreed with AFCA's view that the digital model was the cause of the poor experience for customers at IDR, despite AFCA providing key insights from customer complaints, and did not commit to making any improvements. As the firm and AFCA were unable to reach agreement, AFCA reported the systemic issue to the regulator for it to action as appropriate.

Take note

Failure to provide helpful, easy to use and accessible complaint processes can lead to increased escalation of complaints to External Dispute Resolution (EDR). This can result in non-compliance with a financial firm's obligations, as well as exposure to potential risk to corporate brand and reputation.

When a financial firm implements a change, such as a change to how a customer can contact or communicate with a firm, customer processes and experiences need to be closely tested and monitored end-to-end to identify potential impacts to customers and unintended consequences.

Banking and finance (continued)

Failure to manage IDR and External Dispute Resolution (EDR) complaints

A financial firm was repeatedly failing to respond to complaints at IDR within timeframes required and, as a result, AFCA received an increase in customer complaints. The firm was also failing to manage the complaints that flowed through to AFCA, which further compounded the issue.

The root cause of the systemic issue was inadequate complaints management resourcing and responsiveness when an external event caused a surge of consumer complaints. Following extensive engagement with AFCA on the issue, the firm agreed there was a systemic issue that had affected more than 2,265 customers and self-reported the issue about its responsiveness at IDR to the regulator. Given the firm committed to engage closely with the regulators about how it intended to resolve its IDR performance, AFCA ceased its investigation into this issue to ensure there was no overlap in action taken by the regulators and AFCA.

With regard to EDR performance, AFCA continues to engage with the firm regularly on improving responsiveness and will monitor progress and update the regulators accordingly.

System issues

System bugs cause duplicate payments and delays for customer payments

A financial firm had several issues with payments. One issue occurred following a system update which caused duplicate payments made to billers via BPAY. During the system update, a software bug occurred causing some transactions in a batch file to copy over to subsequent batch files. This issue affected 6,582 customer and resulted in around $47,095 being returned to customers.

Another issue causing monthly account fees to be incorrectly charged to customers occurred because of a technical error. The issue affected 3,562 customers and resulted in $52,032 being returned to customers.

The final issue identified by AFCA related to delays in crediting customer payments to accounts. This issue arose following a system migration, during which a software bug in the firm's system caused payments made by customers to be temporarily delayed in being applied to their account. The issue affected 2,372 customers and, as the payments were correctly assigned to customer accounts, no financial remediation was required.

To resolve these issues, the firm implemented system fixes and introduced additional monitoring controls and promptly returned funds to customers.

Take note

Issues in complaints handling can arise where financial firms have not adequately invested in or resourced their teams to effectively manage complaints at both IDR and EDR stages.

Immature complaints handling systems and processes can also lead to issues that affect multiple consumers who have made a complaint with a financial firm.

Having robust processes and systems, adequately resourced complaint handling teams, and governance frameworks that use adaptive decision making and escalation, which allow for the adjustment of responses to groups of complaints (i.e. scalability, responsiveness) can help to reduce the flow of complaints through to EDR.

Banking and finance (continued)

Delayed customer payments

The financial firm was delayed in allocating payments made by customers to their accounts. The cause of the issue was an unplanned outage of the system used by the firm to identify payments made by customers through the mobile app and allocate these to the customer accounts. This meant payments were queued and not allocated within usual timeframes.

The systemic issue impacted 3,503 customer accounts, who could not see a record of the payments made, and whose account balance was not updated to reflect the payments made on that day.

To resolve the issue, the firm communicated the incident to its customers by placing messages about the issue in its online web chat, posting about the issue on its social media channels, and sending SMSs to affected customers. The firm also rectified the systemic issue by manually allocating payments and reversing all overdue payment fees charged to those accounts.

Compliance with AFCA Rules: collection activity during an open complaint

Failure to stop legal action on open AFCA complaint

A financial firm had inadequate processes and systems in place to ensure compliance with AFCA Rule A.7, which prohibits a firm from engaging in recovery action while AFCA is considering a complaint, unless the firm has AFCA's consent.

In the complaint from which AFCA identified the issue, the firm proceeded with legal action while the complaint was open. It had not sought AFCA's consent to continue with the legal proceedings. There were several causes of the issue on the complaint. First, a staff member had not followed the financial firm's processes. This led to the third-party debt collection agent not being notified of the AFCA complaint, and legal action not being stopped on the account. Then, when the firm instructed the agent to stop legal action, the agent failed to follow these instructions, which led to further legal action taking place.

The firm argued this was not a systemic issue because the root cause of the breakdowns was isolated and the result of human error, however AFCA's view was that the repeated breakdowns suggested insufficient controls were in place to ensure recovery action was stopped.

Despite not agreeing with AFCA's view, the firm agreed to take action to improve its processes. To resolve the issue, the firm implemented enhancements to its controls to ensure legal action does not occur on accounts where there is an open AFCA complaint (for example, the firm can now access the third party's systems to enter a notice to stop collection activity on the account).

Take note

When a complaint is lodged at AFCA, financial firms cannot engage in debt collection or recovery action for the debt that is the subject of the dispute (without AFCA's consent).

Firms should ensure they have appropriate processes and systems in place to prevent collection activity once a complaint has been lodged, and rigorous oversight mechanisms of external agents where debt collection is outsourced by the firm.

Banking and finance (continued)

Compliance with obligations under AFCA Rules

A financial firm was continuing to take debt recovery action after complaints had been lodged with AFCA. This issue was identified in multiple complaints and is a breach of the AFCA Rules.

The root cause of the systemic issue was the manual process required to 'suspend' the account status to cease collections activity and staff failure to execute the process. There were also system limitations that meant some accounts could not be noted as 'suspended.

The financial firm took action to resolve the issue by implementing a system solution to automate the manual process steps previously required and reduce the heavy reliance on human intervention. It also introduced an IT solution to remove the system limitation.

The firm also had an issue in how it was engaging with AFCA. The firm was not responding to AFCA in accordance with its obligations during several complaint investigations and not providing information requested by AFCA within required timeframes.

The root cause of the issue was limited resourcing of the financial firm's IDR and EDR functions, staff errors, gaps in knowledge, and a manual EDR register making it difficult to manage EDR tasks and due dates. The firm had recognised the need to increase complaint management team resourcing before the systemic issue was raised and addressed this by replacing staff and employing additional staff. It also conducted staff training and automated the EDR register.

While the firm took some steps to address the systemic issue, AFCA considered that further improvement was required. AFCA continues to monitor the firm's responsiveness to AFCA complaint requests.

Dealing with third party representatives

Firm not accepting signed authority forms from other organisations

A financial firm's process for accepting third-party authorities was creating unnecessary barriers for authorised representatives, because it was requiring customers to complete its own authority form where the customer had already signed an authority form from a community legal centre or financial counselling organisation nominating a representative.

AFCA engaged with the firm on the issue. The firm said it had made some changes to its policy recently and no longer required its own authority form to be provided in all circumstances, however there were circumstances where it required further validation to confirm that a customer has authorised the third party. It noted obligations under the Australian Privacy Principles which require it to protect a customer's information from unauthorised access, modification or disclosure. AFCA acknowledged these obligations and the balance

Take note

Where financial firms have work procedures and processes with a heavy reliance on manual steps, we have seen that process steps can be missed through human error. This can be caused by inadequate staff training, unclear instructions or procedure documents or systems that allow processes to move forward without all required data fields being completed. The implementation of automated system solutions and removal of manual processes minimises the risk of human error and may reduce the likelihood of issues arising.

Banking and finance (continued)

needed between them and a firm's obligations under the Debt Collection Guideline which requires it not to place unnecessary barriers or obstacles in the way of authorised representatives.

AFCA and the firm were unable to agree on an appropriate resolution of the issue. The firm said it had already made the necessary changes to its policy, but complaints received by AFCA made it clear there were still issues with the firm accepting authorised representatives.

AFCA reported the issue to the regulator as not being resolved. Notwithstanding this, the firm committed to reinforce its process of accepting third-party authorities by providing further training to staff. It also committed to continue working directly with financial counselling services to ensure an efficient and effective working relationship. Further, the firm added a formal escalation point to its process, requiring staff to escalate a matter involving unusual circumstances, including vulnerable customers, to senior staff to consider acting outside of the standard policy.

Scams

Inadequate call identification security protocols

A financial firm had inadequate security controls, which situation allowed unauthorised parties impersonating customers over the phone to gain access to accounts and make account changes.

The firm's staff were failing to comply with procedures relating to caller identification, which meant unauthorised parties were able to make changes to account information, such as mobile phone numbers to which security codes are sent. In particular, it was the firm's process that, where a caller provided incorrect answers to identity questions to gain access and then requested to change the recorded mobile phone number, the staff members should refer this to the internal fraud team. In several cases, staff did not do so.

To resolve the issue, the firm implemented a new mechanism to ensure process compliance and provided additional training to frontline staff targeting education and awareness on scams and fraud. The firm also returned $240,343.92 to impacted customers, which was refunded unauthorised transactions, refunded interest and fees and, in some cases, non-financial loss being provided to take into account undue stress for the customer.

Take note

Scam prevention, detection and response is a priority area of focus for financial regulators given the scale of harm to Australian consumers in recent years. Financial firms also play an important role in scam prevention, detection and response.

Firms should ensure they have effective policies, processes and practices in relation to scams, and undertake regular reviews to ensure staff compliance.

General insurance

Common systemic issues

- Dealing with third party representatives
- AFCA engagement: Collection activity during open AFCA complaints
- Policy interpretation

Dealing with third party representatives

Proactively improving processes for dealing with third party representatives

An insurer's process for accepting the appointment of and dealing with third-party representatives was unfair as it created unreasonable barriers for consumers. For example, the insurer was requesting that customers provide a signed authority form on the insurer's letterhead. The insurer was also asking for the personal details (e.g. date of birth) of third-party representatives such as financial counsellors.

When AFCA raised the issue with the insurer, it said it had already identified the deficiency in its process in response to consumer complaints and financial counsellor feedback and had taken proactive steps to enhance its process. The enhanced process included a two-point security check for personal details of the customer and general details of the third-party representative. The actions taken by the firm resolved AFCA's concerns. We reported the matter to the regulator as resolved and discontinued our investigation.

Take note

Firms' systems can inadvertently create barriers for their customers being able to deal with them efficiently and effectively. Firms should proactively review customer complaints and feedback to identify any such barriers, and work to remove such barriers promptly. Removing such barriers helps reduce frictions for customers in dealing with their financial firm and helps them deal promptly with their insurance claim so they can get on with their lives. Prompt action in response to customer complaints and feedback can reduce the risk of further complaints and regulatory action; this leads to better outcomes for customers and the firm.

General insurance (continued)

AFCA engagement

Collection activity during an open AFCA complaint

A financial firm's process for stopping collection activity during an open AFCA complaint was not robust enough to ensure compliance with AFCA Rule A.7.1. This precludes a firm from pursuing a debt that is the subject of the complaint. During engagement with the firm, 23 instances of collection activity taking place during open AFCA complaints were identified over an 18-month period.

The root cause of the failures in most cases appeared to be human error, which indicated that the firm's processes and practices were inadequate to ensure compliance.

To resolve the issue, the firm took steps such as recruiting additional resourcing to its complaints handling team, introducing a process for actioning AFCA notifications and implementing a revised process for debt collection and reporting on such matters. AFCA considers the process enhancements undertaken by the firm will help it to reduce the risk of this issue occurring again, but AFCA will continue to monitor this issue.

Take note

Ensuring that a firm's systems, processes and training are up to date and compliant helps to reduce the risk of customer harm, increased complaint volumes, and regulatory action. Firms should ensure they have compliance systems and processes in place to comply with AFCA's Rules. Rule A.7.1 is an important protection to ensure that debt collection activity is paused so that complainants have a fair opportunity to have their complaint resolved.

Inadequate process for ensuring the implementation of AFCA determinations

An insurer was failing to ensure that AFCA determinations were actioned and given effect to within reasonable timeframes.

The insurer advised that its current process for implementing determinations had been designed following a prior systemic issue on the same matter, which had been self-reported to ASIC at the time. However, upon review, the insurer had identified gaps and the process for ensuring compliance with an AFCA determination was not robust enough. For example, it was unclear who was responsible and accountable for ensuring that an AFCA determination had been actioned. To address this, the insurer assigned responsibility for AFCA determinations to the complaints handling team and clarified that responsibility for monitoring compliance sat with senior leadership.

The insurer also implemented an escalation process for complex determinations (where, for example, the customer and the insurer may have differing interpretation of outcomes) to reduce delays and ensure AFCA determinations were complied with in the relevant timeframe.

Take note

Upon resolution of a complaint at AFCA, firms are obliged to comply with the outcome within the stipulated timeframe. Complainants are entitled to expect that, after having had their complaint resolved by AFCA, the firm will prioritise compliance and will finalise the outcome in a timely and efficient way.

General insurance (continued)

AFCA will continue to monitor the firm's compliance with AFCA determinations, but discontinued the systemic issue investigation on the basis that the process enhancements undertaken should assist to reduce the risk of the issue from recurring.

Policy interpretation

Incorrect denial of claims relating to motor vehicle theft

An insurer was not settling claims correctly under its policy condition associated with the term 'immediate vicinity'. The insurer was denying claims relating to the theft of a vehicle where the keys were 'located in close proximity' to the vehicle. AFCA formed the view that in some instances the insurer had incorrectly interpreted and applied the policy condition leading to the denial of claims, in circumstances where the term was not defined by the policy.

Following our engagement, the insurer conducted a review of claims that had been denied under the policy condition subject to the review. The insurer identified five claims that were denied using the policy condition.

In resolution of the issue, the insurer advised that the Product Disclosure Statement (PDS) and claims assessment process were adjusted to align with AFCA's interpretation of the policy condition. Further, the insurer remediated the five identified claims, with a total of $44,763 being returned to impacted customers.

Take note

Clear, transparent and fair practices should be used to settle claims in line with policy terms. Policy terms should be clearly drafted and their interpretation should align with ordinary understanding, or there should be clear definitions in the policy to help with consumer understanding of the meaning.

Life insurance

Common systemic issues

- Breach of policy terms

Breach of policy terms

Failure to provide statements in line with policy terms

The financial firm was failing to provide twice-yearly financial statements for an investment bond, in breach of the original terms outlined in the policy's Key Features Statement (KFS). AFCA raised the issue with the firm, and the firm confirmed that 544 customers had been affected.

The firm said the cause of the issue was a "failed change initiative". Years ago, the policy had been administered by another insurance company, which changed the statement process from six-monthly to yearly but did not properly notify customers. The firm confirmed that although it had not provided twice-yearly statements since it took over administration of the policy, it had been providing annual statements and policy information to customers.

To resolve the issue, the firm agreed to change the statement process to ensure it aligned with the policy terms for these customers. No remediation was provided to affected customers because customers had not suffered a loss as information had been made available to them in annual statements throughout the period.

Take note

Financial firms should regularly review their policies and practices to ensure they meet their obligations. Ineffective compliance risk management can lead to systemic issues affecting customers. Clear and regular updates to customers with information about their financial product is key to informed decision-making by consumers.

Investments and advice

Common systemic issues

- Processing error

Processing error

Charges applied not in line with User Agreement

A financial firm had incorrectly calculated its overnight swap rates on Contracts for Difference (CFD) trading accounts and undercharged clients who held certain open positions. The firm then attempted to make a retrospective charge to the accounts of impacted clients.

When AFCA raised the issue with the firm, the firm said its User Agreement allowed it to make such adjustments when there has been a "material error" in pricing. AFCA disagreed with the firm's position and found that the User Agreement entitled the firm to adjust the client's account if there has been a material error in the pricing of a contract. The incorrect swap rates were not incorrect pricing but an incorrectly calculated charge. Once the firm displayed the swap rates it would charge overnight, and then charged in accordance with the displayed rates, it had no entitlement to retrospectively apply different rates.

The firm identified three clients affected by this error. While AFCA formed the view that the issue was systemic, the firm did not accept AFCA's view and did not agree to remediate the impacted clients. AFCA reported the issue to ASIC as an unresolved systemic issue, for the regulator to take action as it deems appropriate.

Superannuation

Common systemic issues

- Adequacy of claims handling process
- Breach of obligations under SIS Act and SIS Regulations
- Cancellation of policies

Adequacy of claims handling process

Issues with administrator cause poor complaints handling and processing of insurance claims

A financial firm was failing to handle complaints appropriately both at IDR and EDR and was consistently delaying in processing death benefits and insurance claims. These issues were affecting multiple members and had led to increased complaint volumes at IDR and EDR.

Once AFCA raised the issue with the firm, it acknowledged AFCA's concerns and said the firm's administrator was failing to meet agreed Service Level Agreement timeframes, and delays were also caused by resourcing issues and internal process failures.

The firm further told AFCA that it was already engaging with the regulators about these issues. AFCA elected to close the investigation based on the firm's ongoing engagement with the regulators regarding the systemic issues to avoid duplication of effort. While the file is closed, AFCA continues to engage with the financial firm to ensure it addresses the issues and reduces complaint volumes.

Breach of obligations under SIS Act and SIS Regulations

Failure to process superannuation rollover requests on time

A financial firm failed to process standard superannuation rollover requests within the required timeframe because of issues with its systems. This was in breach of obligations under Regulation 6.34A of the Superannuation Industry (Supervision) Regulations 1994, which requires trustees to process rollovers between three and 30 days after receipt of instructions.

The investigation revealed that the firm had experienced multiple incidents over a four-month period. A review conducted by the firm identified several issues relating to its workflow systems, including system failures and configuration issues, which affected processing timeframes for paper-based applications during the period. Approximately 7,000 members were affected by these issues.

Take note

Increasing volumes of consumer complaints at IDR and flowing through to AFCA is a good indicator that there are issues within a firm that are adversely affecting customers.

AFCA transparently makes complaints data available to firms to monitor their own performance and compare this against their peers within industry. This data, coupled with a firm's internal IDR data, should be used to measure patterns and identify where performance is outside set parameters. The early identification of these issues, and intervention where appropriate, should be an embedded practice within firms.

Superannuation (continued)

The firm had already identified the issues and self-reported them to the regulators before AFCA's engagement about the issues. Based on the work the firm had done to address the issues, and its ongoing engagement with the regulators about the issue, AFCA discontinued its investigation to avoid duplication and overlap.

Cancellation of policies

Insurance cover incorrectly cancelled

The financial firm was incorrectly cancelling total and permanent disability (TPD) and income protection (IP) insurance policies. 202 members either had their insurance incorrectly cancelled or did not receive the correct cover.

The issue was caused by a system coding issue. A field was left blank in the system for a select group of members and this meant that, when information was entered, the system was unable to determine the correct category of cover for those members. As a result, any insurance held by an affected member was cancelled, or cover was not applied correctly where the member later met criteria for insurance to be applied.

AFCA reported the systemic issue to the regulators. To resolve the issue, the firm wrote to each member explaining what had occurred, reinstated cover and backdated any insurance premiums. The firm also implemented a new weekly monitoring mechanism to detect if the relevant field on the system is left blank, with a manual review process to be undertaken if intervention is required.

Any questions?

AFCA is available to help answer questions and discuss our approach to systemic issues. For more information on systemic issues or for any questions, you can contact us at **systemicissues@afca.org.au**