

# Member Forum

## Banking and Finance

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**26 May 2020**

# Today's agenda

- > Welcome
- > Complaint statistics – last 12 months
- > COVID-19 – themes and issues
- > Q&A



# Complaint statistics

# The last 12 months' operations

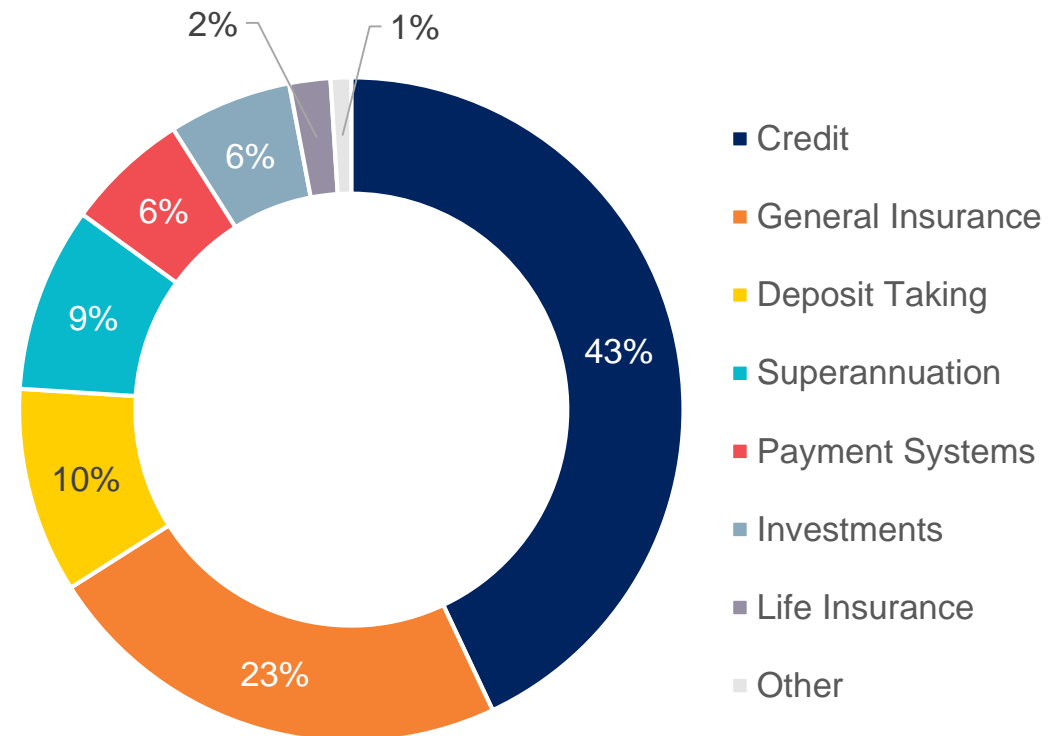
May 2019 to April 2020 (12 months)

**\$233 million** in compensation <sup>2</sup>

**76,086 complaints received**  
As at 1 May 2020, **78%** have  
been closed

Of those complaints closed 73% were  
closed either by agreement or in favour  
of complainants

Complaints received by product line <sup>1</sup>

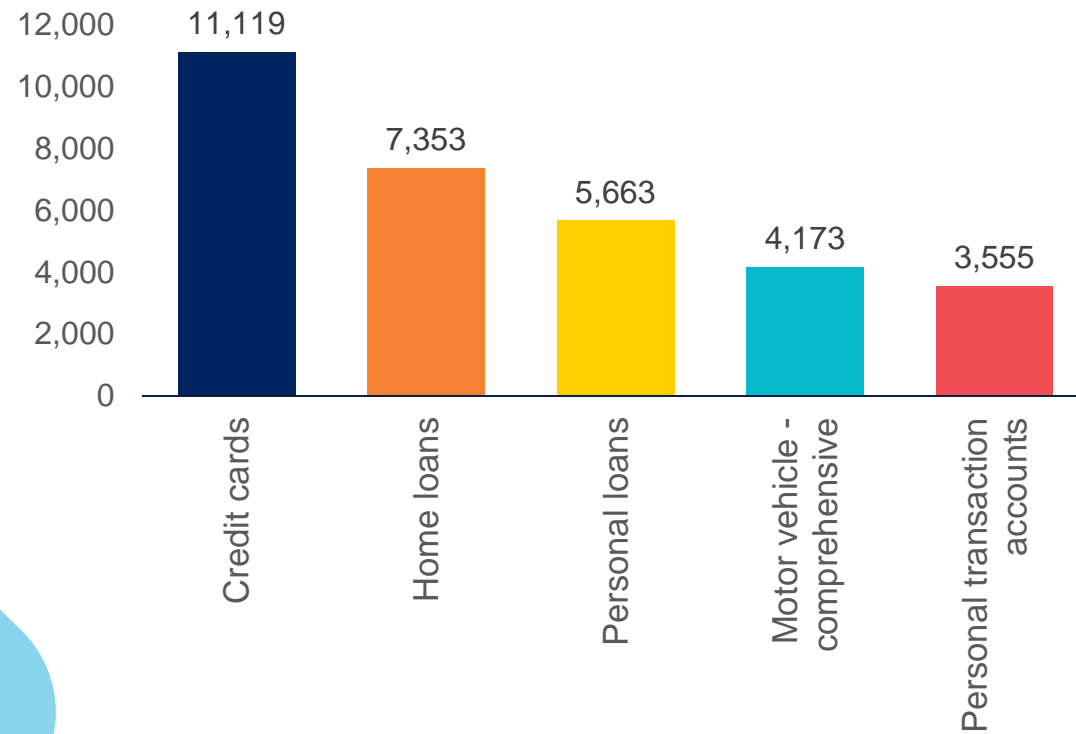


- 1 One complaint can have multiple product lines.
- 2 This includes matters previously received by AFCA's predecessor, FOS, and resolved by AFCA since 1 November 2018.

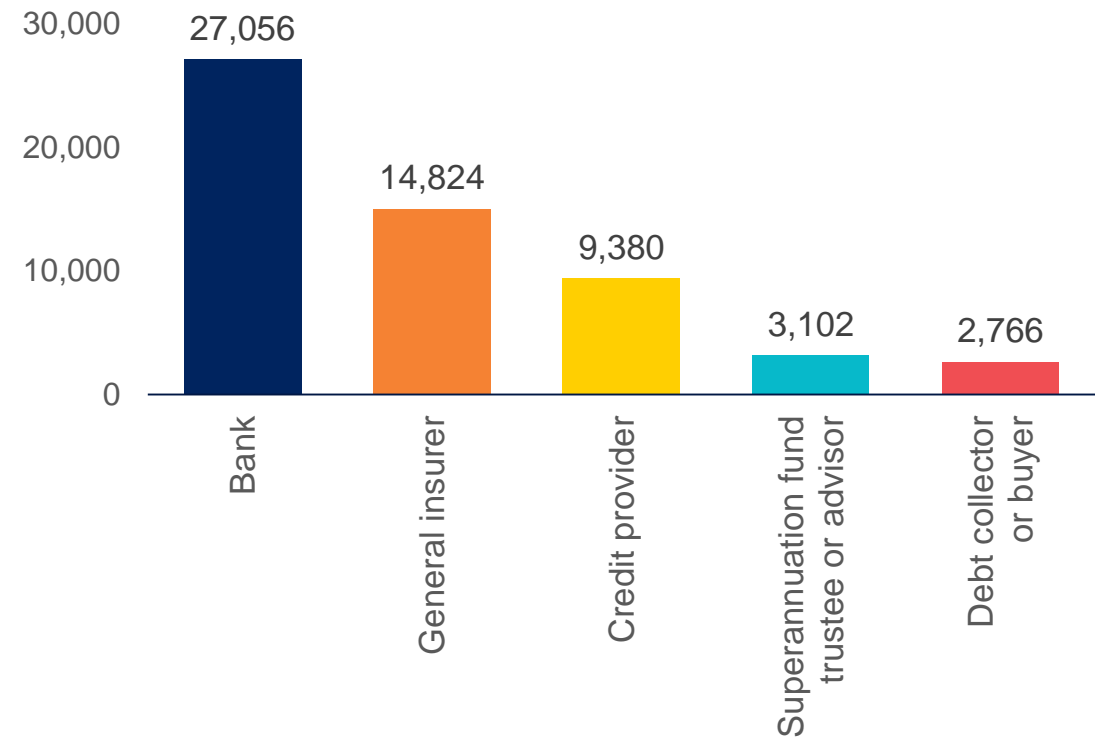
# The last 12 months' operations

May 2019 to April 2020 (12 months)

### Complaints received by top 5 product types



### Complaints received by top 5 financial firm types



# Banking and finance complaints at a glance

May 2019 to April 2020 (12 months)



**44,969** complaints received

**21,984** complaints accepted

**44,099** complaints closed

**50% resolution rate**  
at Registration and Referral

**14%** non-response rate

## Complaints closed by status

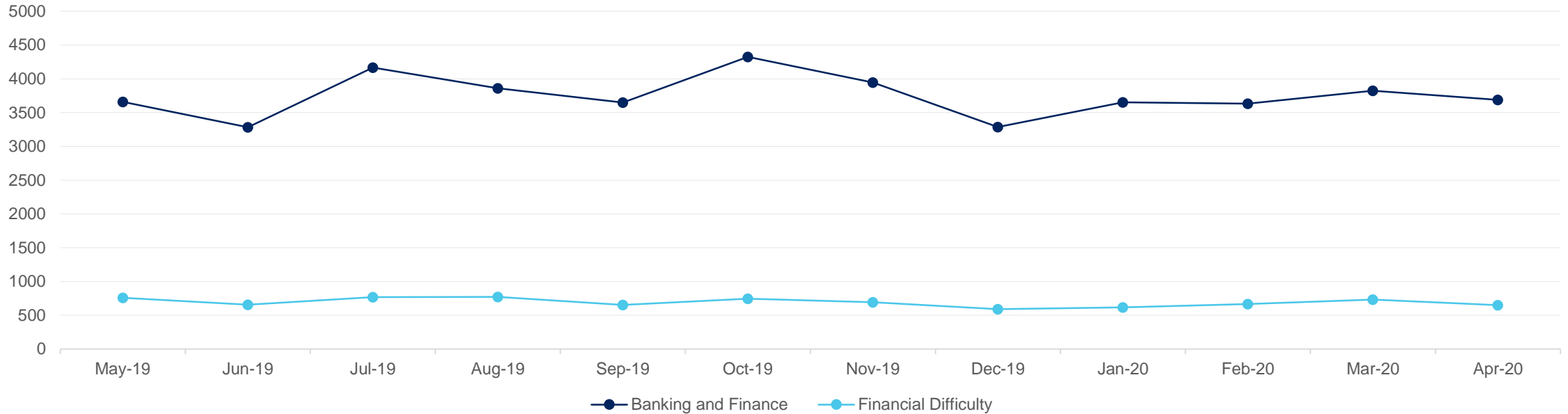
Complaints Closed - Status	Number
Closed Registration & Referral	21,928
Closed Case Management Level 1	8,501
Closed Rules review	5,307
Closed Case Management Level 2	3,935
Closed Preliminary View	2,304
Closed Decision	1,661
Closed Before Referral	463
<b>Total</b>	<b>44,099</b>

Please note:

Banking and finance complaints includes financial difficulty complaints.

# Complaints received

## Banking and Finance\* and Financial Difficulty



	May-19	Jun -19	Jul-19	Aug-19	Sept-19	Oct-19	Nov-19	Dec -19	Jan-20	Feb-20	Mar-20	Apr-20	Total
Banking and Finance	3,659	3,283	4,165	3,859	3,650	4,325	3,946	3,285	3,652	3,631	3,824	3,690	44,969
Financial Difficulty	759	657	767	773	653	744	692	590	618	665	731	648	8,297

# Accepted complaints and non-response rate

## Banking and Finance

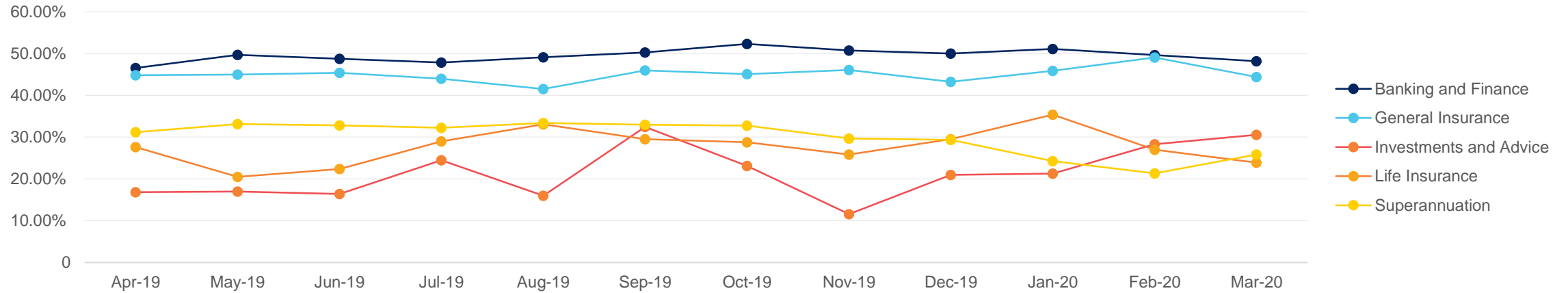
	May-19	Jun -19	Jul-19	Aug-19	Sept-19	Oct-19	Nov-19	Dec -19	Jan-20	Feb-20	Mar-20	Apr-20	12-month total
<b>No response received</b>	354	267	272	330	273	236	225	121	287	173	233	271	3,042
<b>Response received</b>	1,510	1,372	1,625	1,662	1,527	1,725	1,648	1,550	1,704	1,426	1,653	1,540	18,942
<b>Total accepted complaints</b>	1,864	1,639	1,897	1,992	1,800	1,961	1,873	1,671	1,991	1,599	1,886	1,811	21,984
<b>% of no response</b>	19%	16%	14%	17%	15%	12%	12%	7%	14%	11%	12%	15%	14%

## Financial Difficulty

	May-19	Jun -19	Jul-19	Aug-19	Sept-19	Oct-19	Nov-19	Dec -19	Jan-20	Feb-20	Mar-20	Apr-20	12-month total
<b>No response received</b>	88	52	70	88	70	58	44	27	64	42	44	50	697
<b>Response received</b>	368	351	387	405	340	368	347	316	348	312	329	299	4,170
<b>Total accepted complaints</b>	456	403	457	493	410	426	391	343	412	354	373	349	4,867
<b>% of no response</b>	19%	13%	15%	18%	17%	14%	11%	8%	16%	12%	12%	14%	14%



# Resolution rate at Registration and Referral \*



	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Total
Banking and Finance	46.50%	49.70%	48.70%	47.80%	49.10%	50.30%	52.30%	50.70%	50.00%	51.10%	49.60%	48.20%	49.5%
General Insurance	44.80%	45.00%	45.40%	44.00%	41.50%	45.90%	45.10%	46.10%	43.20%	45.80%	49.10%	44.40%	45%
Investments and Advice	16.80%	17.00%	16.40%	24.50%	16.00%	32.40%	23.10%	11.60%	21.00%	21.20%	28.30%	30.50%	21.6%
Life Insurance	27.60%	20.50%	22.40%	29.00%	33.10%	29.50%	28.70%	25.80%	29.50%	35.40%	27.00%	23.90%	27.7%
Superannuation	31.20%	33.10%	32.80%	32.20%	33.40%	33.00%	32.70%	29.70%	29.30%	24.20%	21.30%	25.80%	29.9%
Total	43.00%	44.30%	43.50%	43.80%	43.30%	46.40%	47.00%	43.70%	44.40%	45.70%	46.20%	44.40%	44.6%

# Complaints closed by outcome

Banking and Finance – May 2019 to April 2020

Outcome	Number	Percentage
Resolved by financial firm	24,620	56%
Outside Rules	5,136	12%
Outside Terms of Reference (FOS and CIO legacy)	56	0%
Discontinued	4,339	10%
Negotiation	5,954	14%
Conciliation	1,045	2%
Assessment	149	0%
Preliminary assessment in favour of complainant	499	1%
Preliminary assessment in favour of financial firm	785	2%
Decision in favour of complainant	414	1%
Decision in favour of financial firm	1,102	2%
<b>Total</b>	<b>44,099</b>	

\*Please note Banking and Finance complaints included financial difficulty issue.

# Complaints closed by stream at Case Management 1 and 2 status

Banking and Finance – May 2019 to April 2020

	FastTrack	Standard	Complex	Total
Closed Case Management Level 1	5,500	2,434	567	8,501
Closed Case Management level 2		2,824	1,111	3,935
<b>Total</b>	<b>5,500</b>	<b>5,258</b>	<b>1,678</b>	<b>12,436</b>

# Current initiatives

- > Approach to account closures
- > Approach to credit reporting
- > Clear the decks strategy
  - Proactive engagement with financial firms
  - Escalation of complaints with vulnerable complainants
  - Ombudsman case conferences



# COVID-19

# COVID-19 – Challenges for financial firms



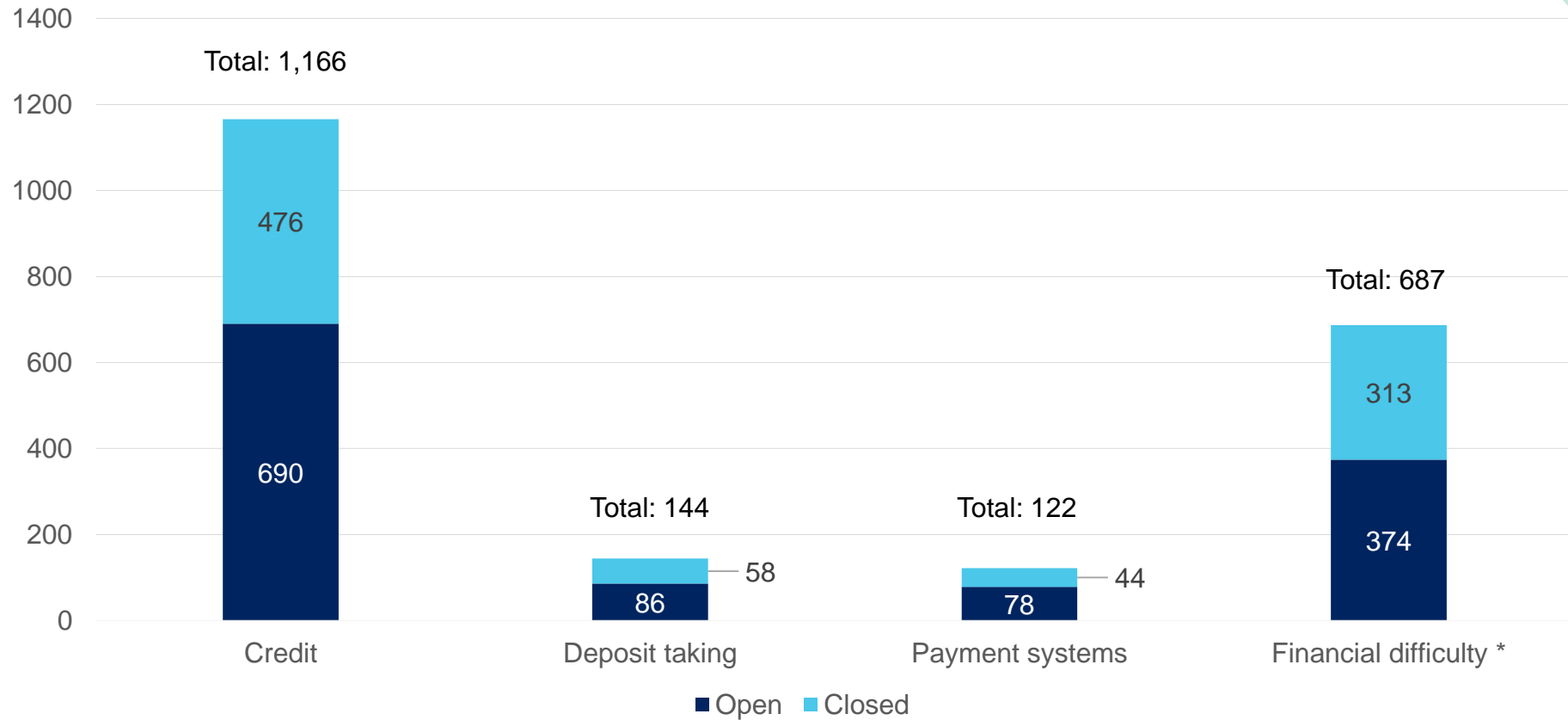
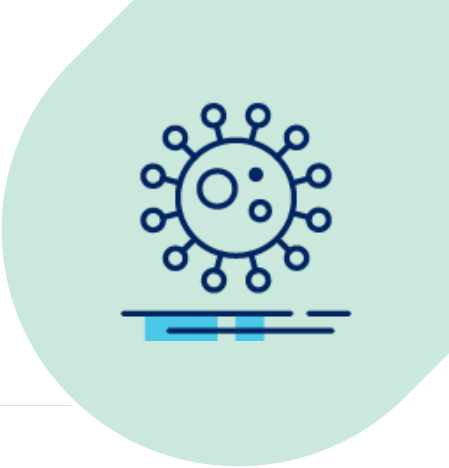
## Challenges for financial firms

### COVID-19

- > Significant call volumes
- > Recovery from initial capacity constraints
- > Transition back to working onsite
- > Distressed and vulnerable customers

# COVID-19 complaints

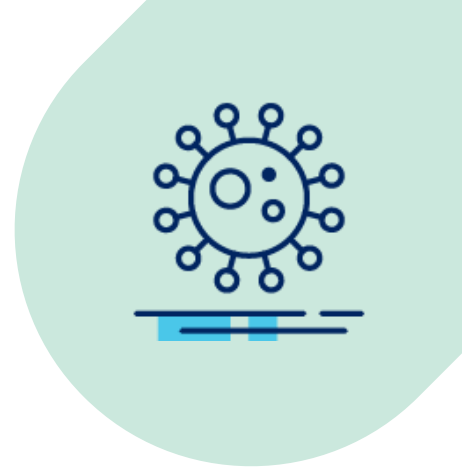
## Banking and Finance



\* Financial difficulty complaints are also included in credit, deposit taking and payment systems totals

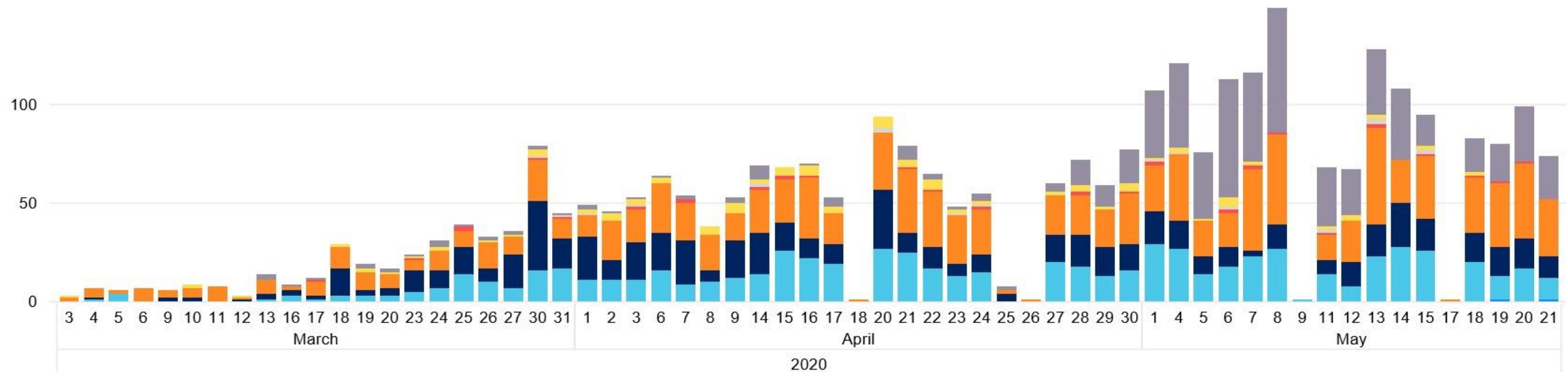
# COVID-19 complaints over time

## Banking and Finance



Daily inflows by product/issue group - based on complaint received date (previous 12 weeks)

BF FD GI I&A Life Rules Super





# COVID-19 – complaint themes and issues

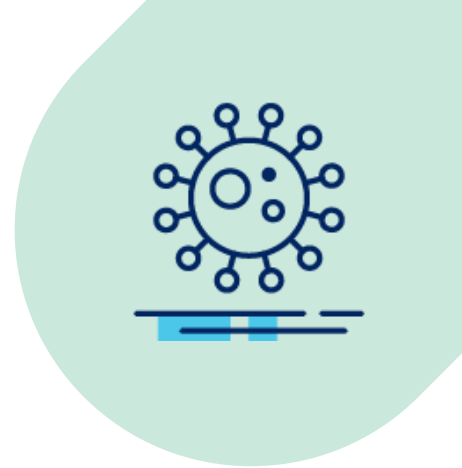


## Financial difficulty

### Initial influx of complaints

- > High volumes of service complaints
- > Monitoring of complaint distribution among financial firms
  - proactive engagement with firms to understand reasons
- > Focus on areas of concern
  - failure to consider requests for hardship relief
- > Recent decline in financial difficulty complaints due to automatic hardship arrangements
- > Expect increased volumes when COVID-19 relief measures expire

# COVID-19 – complaint themes and issues

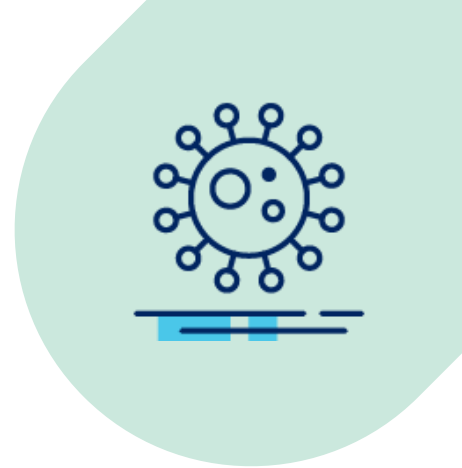


## Financial difficulty

### Minimising future complaints

- > Potential for misunderstanding of hardship arrangements
  - media reporting – ‘repayment holiday’
  - differing approaches between lenders
- > Clear explanation of options available
- > Good understanding of relief provided
- > Ongoing engagement (three month check-in and documenting discussions)

# COVID-19 – complaint themes and issues



## Break costs

### AFCA approach

- > Break costs are recoverable provided:
  - clearly disclosed and not misleading
  - reasonable estimate of costs to lender on early termination
  - applied correctly
- > No expectation that break fees will be waived due to COVID-19

# COVID-19 – complaint themes and issues

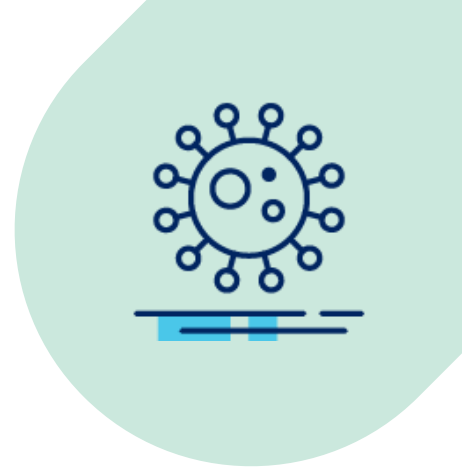
## Disputed transactions

### Chargebacks

- > Customers seeking to recover travel costs (where insurance claim denied)
- > Anticipated increase in insolvent travel & accommodation providers
- > AFCA will assess complaints in accordance with card scheme rules



# COVID-19 – complaint themes and issues



## Responsible lending

### Financial hardship

- > Responsible lending obligations are not a barrier to agreeing hardship variations

### New lending

- > Principles-based approach in RG209 provides flexibility
- > Lenders should consider effect of COVID-19 on a case by case basis
  - requirements and objectives
  - capacity to meet repayment obligations
- > AFCA will review lending decisions by ‘standing in the shoes’ of the lender at the time
  - COVID-19 complaints will be ‘date-stamped’

### Sale timeframes

- > Tailored approach to circumstances

# COVID-19 – complaint themes and issues



## Small business lending

### Regulatory changes

- > Change to 'predominant purpose' test
- > Coronavirus SME Guarantee Scheme

### Considerations for new lending

- > Reviewing financial information in support of loan applications
- > Obligations when obtaining a guarantee

# Questions

# More information

## Follow us on social media

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 Australian Financial Complaints Authority

**Free call 1800 931 678**

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**[www.afca.org.au](http://www.afca.org.au)**



**Thank you**

