



Australian Financial Complaints Authority

CEDA - Royal Commission impacts
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Implementation and establishment

- > Established 1 November 2018
- > 2016 Ramsay Review recommendation to simplify access to external dispute resolution
- > Merged three predecessor complaints resolution bodies (FOS, CIO, SCT)
- > One-stop shop – fair, free, independent



The AFCA strategy

Purpose

To provide fair, independent and effective solutions for financial disputes

Vision

To be a world class ombudsman service

- > raising standards and minimising disputes
- > meeting diverse community needs, and
- > 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 to the Australian community services that are easy to use, free for complainants, efficient, timely and impartial.

Values

Fair and independent

Transparent and accountable

Honest and respectful

Proactive and customer focussed

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

AFCA: The first five months of operations

29,873 complaints received

As at 31 March 55% have been closed

11.1% of licensee members
had a complaint lodged against them in the
first five months

Small business

We received **1,913** complaints
from small businesses.

Most complaints were about
misleading product/service information.

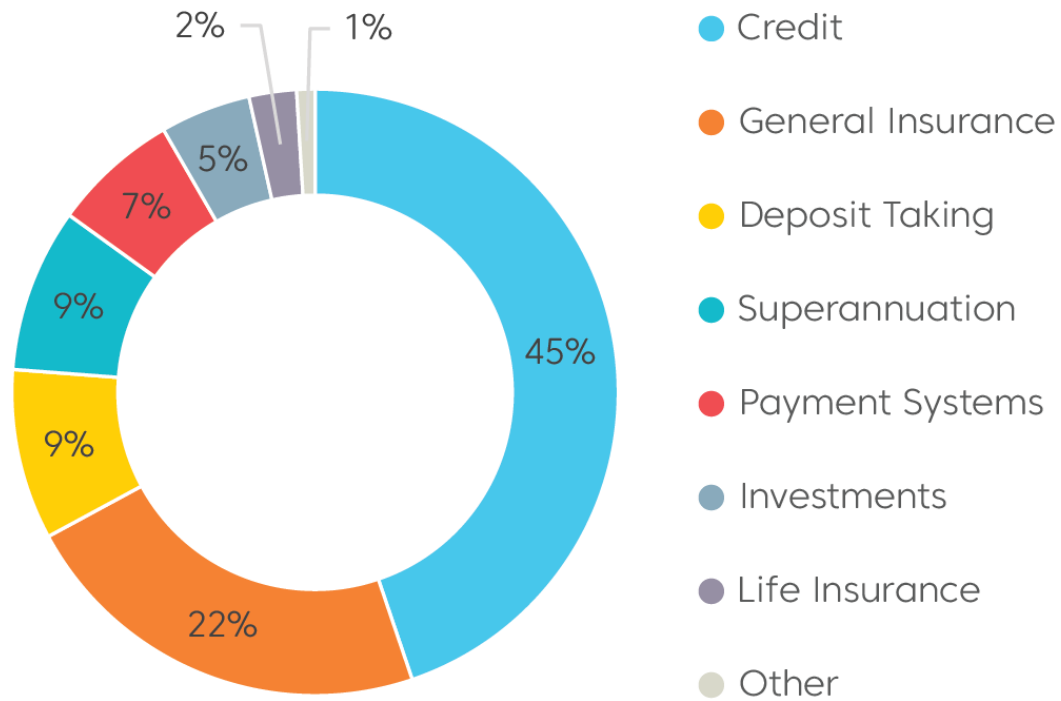


\$67 million in compensation¹

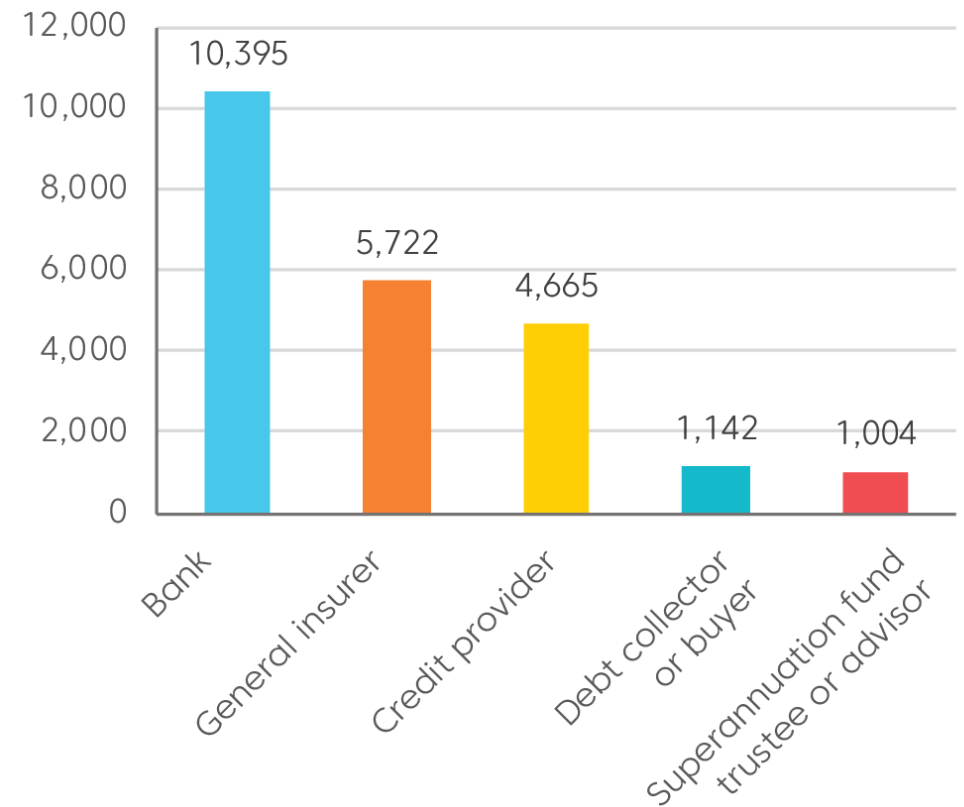
*This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA since 1 November 2018.

AFCA: The first five months of operations

Complaints received by product type



Complaints received by financial firm type²



AFCA: The first five months of operations

Systemic Issue

“A systemic issue is an issue that is likely to have an effect on consumers or Small Businesses in addition to any Complainant”

Systemic issues

Definite systemic issues currently under investigation **81**

Total potential serious contraventions and other breaches identified since November **13**

Serious Contravention

“A serious contravention of any law (relevant to the circumstances of a complaint under the AFCA scheme) which may have occurred”



The Banking Royal Commission

Recommendations related to AFCA:

- > Enhancing AFCA's ability to obtain information (Recommendation 4.11) – Change announced by Treasury
- > Compensation scheme of last resort (Recommendation 7.1) and redress for past unpaid disputes
 - Funding

The government's response

Proposals related to AFCA:

- Payment of unpaid FOS/CIO determinations (part of Federal Budget 2019-20) – amount?
- Establishment of a forward-looking compensation scheme of last resort (part of Federal Budget 2019-20)
- Legacy disputes - Expansion of AFCA's remit for a period of 12 months to accept applications for disputes dating back to 1 January 2008 (commencing 1 July 2019)
- Place an obligation on AFSL holders to take reasonable steps to co-operate with AFCA (commenced on 6 April 2019)
- Enhancement of AFCA's role in the establishment and public reporting of firm remediation activities.

The opposition's response

Proposals related to AFCA:

- Cooperation with AFCA
- Increase in AFCA's monetary limits and compensation caps
 - > Up to \$2M in compensation for consumers and small businesses
 - > Up to \$2M in non-financial loss compensation for consumers and small businesses
 - > Up to \$2 million for claim value
 - > Up to \$4 million for farmers (including non-financial loss compensation)

The opposition's response

Proposals related to AFCA continued:

- Require AFCA to report the names of financial firms in published determinations where AFCA finds in favour of the customer
- Require AFCA to report to the House Economics Committee
- Senate Inquiry into the resolution of disputes with financial service providers within the justice system (report due to be handed down 8 April 2019)
- Establish an industry-funded prospective CSLR, extended to all financial service providers

Other features of the Opposition's response

- Retrospective compensation scheme, independent of AFCA
- Establishment of an industry-funded \$640 million Banking Fairness Fund:
 - \$160 million commitment to provide services to Australian in financial difficulty
 - \$320 million commitment to double the number of financial counsellors across Australia from 500 to 1000
 - \$60 million for microfinance/low-cost lenders
- Payment of outstanding EDR determinations up to \$30 million, funded by AFCA members

The Royal Commission highlighted the breakdown in community trust

- Claims handling – Outsourcing responsibility
- Systemic issues & serious misconduct
- Members slow to respond to complaints – timeliness in response to AFCA
- Ensuring awareness of AFCA and EDR
- Effective Disclosure
- Misrepresentation through sales process
- Products of low value / not fit for purpose

AFCA's role in Rebuilding Trust and Confidence

- Trust and confidence sits at the centre of all commercial relationships
- Consumers expect firms to provide a fair service and to be treated fairly
- There is currently a very wide gap between community expectations and the reality of financial misconduct
- A key part of restoring community confidence in the financial services sector, is access to a fair, unbiased, independent and consistent decision making that is “fair in all the circumstances”

AFCA's role in Rebuilding Trust and Confidence

- Influence more effective claims handling when things go wrong
- Influence claims decisions by Financial Firms through education / communication / outreach
- Provide consistent unbiased decisions that are fair in all the circumstances – that explain fairness
- Influence Financial Firms to consider not only the legal obligation but the social license / contract under which they operate
- Influence Financial Firms to consider fair service / fair treatment as a key in any decision

Focus on: Fairness

- Developing a shared understanding of “fair in all the circumstances”
- Fairness in decision making
 - Relevant law
 - Previous AFCA decisions
 - Good industry practice
 - Codes of practice
- Mapping community expectations of fairness
- Hayne’s six simple principles



Focus on: Early resolution

- > Working with industry to improve IDR responses and outcomes
- > Consent and jurisdiction challenges
- > Conciliating more cases
- > Fairness and proactive approach



More information

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Questions?