



Annual Review

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About this Annual Review

The Australian Financial Complaints Authority (AFCA) started on 1 November 2018. This Annual Review covers the 2018–19 financial year. The AFCA complaints data relates to those complaints received and closed by AFCA between 1 November 2018 and 30 June 2019, unless otherwise stated.

The Annual Review follows the reporting requirements for external dispute resolution (EDR) schemes set out in Australian Securities and Investments Commission (ASIC) Regulatory Guide 139 and Regulatory Guide 267.

The 2018–19 Comparative Reports, which show complaint data about AFCA members, are available on our website at **data.afca.org.au**

Australian Financial Complaints Authority Limited (the company) produces a General Purpose Financial Report for the year that incorporates the Directors' report and annual financial statements, which is available on our website.

This Annual Review is available on our website at **afca.org.au/annualreview**

To order print copies, please email **publications@afca.org.au**

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Board Chair message

This report covers the first eight months of operations of the Australian Financial Complaints Authority (AFCA), which was a period of establishment and rapid growth. AFCA brought together the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the work of the Superannuation Complaints Tribunal (SCT) to form a new external dispute resolution service with an increased jurisdiction, increased membership and the capacity to award significantly increased levels of financial compensation.

“AFCA’s strategic goals focus on providing a fair, ethical and trusted service”

The need for AFCA has never been greater, as was demonstrated by the work of the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Financial Services Royal Commission). The challenge for the financial services industry is acute as it works to restore public trust and confidence in financial services. This will only be achieved if financial firms consistently treat consumers fairly, learn the lessons from the complaints they receive, and if boards and senior executives keep a sustained and committed focus on driving change and reform.

AFCA’s role is to provide fair, independent and effective solutions for financial disputes. Handling individual complaints is an important part of this and we have already seen a 36% increase in such matters, compared to the predecessor schemes. AFCA has already resolved 67% of those complaints, which is a commendable result for a new organisation still in transition. We are also working with industry to raise standards of practice, including in internal dispute resolution processes, to minimise disputes arising in the first place, and where they do arise to have them resolved fairly at first instance. We have an enhanced role in the identification, reporting and resolution of systemic issues and serious contraventions. AFCA has already identified 163 definite systemic issues and has resolved these with the financial firms concerned, as well as referring 24 possible serious contraventions to regulators.

AFCA’s strategic goals focus on providing a fair, ethical and trusted service, and an excellent customer and member experience that meets diverse needs and delivers fair outcomes. We aim to positively influence reform in the financial services sector, and are contributing to the policy and regulatory reform initiatives that are coming from government. More than a third of AFCA staff are new, having not worked in the predecessor schemes, and so we are investing heavily in training our people and developing improved systems and processes.

Our core business is to provide a world-class ombudsman service, free to consumers and small business and binding on financial firms. Many people have been badly let down by financial firms. It is not the role of regulators, such as Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulation Authority (APRA), to handle the thousands of individual complaints that people have, nor do they necessarily have the mechanisms to provide redress. AFCA does though, and it is able to consider the facts of each individual case, to look at all the circumstances, to consider the legal framework and the self-regulatory codes, what good industry practice looks like and to determine what is fair.

This 'fairness jurisdiction' is at the core of the AFCA scheme. Much of the criticism from the Financial Services Royal Commission was at the failure of financial firms to treat consumers fairly and a disconnect between the practices uncovered and community expectations. AFCA is uniquely placed to provide access to justice for consumers and small business owners and, where they have been treated unfairly, to provide redress so they can get on with their lives.

AFCA has instigated a Fairness Project to explain how it will apply its jurisdiction when assessing customer complaints right across all parts of industry and the many different product lines we deal with. This project aims to ensure clear, consistent and high-quality decision-making, guidance and a roadmap on what constitutes fair dealing, fair service, fair treatment and fair remediation. AFCA is consulting with industry, consumer groups and government on this and it is anticipated that the framework will be finalised before 2020.

The Federal Government this year announced a welcome extension to AFCA's jurisdiction to allow it to consider historic financial complaints about misconduct dating back to 2008. This extended remit is open until the end of June 2020, and provides an opportunity for consumers who otherwise don't have access to redress to seek to have a complaint considered.

On behalf of the Board I would like to take this opportunity to thank David Locke for his leadership as CEO and Chief Ombudsman. David has overseen the establishment of AFCA as a new service, while maintaining the highest quality of decision-making. David has been tireless in his efforts to promote the service to the community and to work in a constructive way with all.

I would also like to acknowledge the work of AFCA staff, who have continued to resolve disputes in a timely, effective and fair way, even as the volume of complaints has grown much faster than anticipated.

Finally, I would like to thank my fellow Board members for their input into our deliberations. They have brought their energy, insights and wisdom to our discussions, and their work has directly contributed to AFCA's success. It is a skilled and highly committed Board and I thank them for their diligence and passion.



The Hon Helen Coonan
Chair of the AFCA Board



Chief Executive Officer and Chief Ombudsman message

AFCA has had a very busy start to its life, handling over 106,000 phone calls, receiving more than 47,000 new complaints, as well as handling 10,000 FOS and CIO cases that were transferred to the new organisation. Of the new AFCA complaints, almost 32,000 have already been resolved and during the period covered by this Review more than \$112.3 million¹ in compensation has been paid to consumers and small business owners. In addition to this, in 877 cases a full or partial waiver of debt/interest/fees has been provided and in 790 cases repayment arrangements have been agreed. There are, of course, other non-financial remedies that have been achieved, such as apologies, changes to credit ratings and the closure that can come from knowing that your matter has been properly and independently reviewed.

“AFCA has already established itself as a credible and helpful service for the community, that makes a positive impact.”

All superannuation funds, approved credit representatives (ACRs) and most financial firms that hold Australian Financial Services licences are required to be members of AFCA. Our 37,488 members include banks, insurers, credit providers, financial advisers, debt collection agencies, superannuation trustees and many more. To understand their varying needs, AFCA conducted a member survey, and we are now establishing a dedicated Membership Services Team within AFCA to improve our engagement with members, and to share greater insights from AFCA's work. I am committed to adding value to all members, including the 86% of firms and funds that have no complaints lodged with us.

In addition to AFCA's work on fairness, we also have streams of work underway designed to improve the customer service that we provide to all parties.

All staff have been trained in unconscious bias and respect, and workshops have been run on helpfulness. Many frontline staff have undergone training from the charity, Lifeline, so they can better handle challenging calls where callers are in real distress and identify where there are particular vulnerabilities. Financial hardship and financial disputes can drive people to despair, often taking a heavy toll on their health and it may lead to relationship and family breakdown. I need to ensure that AFCA's staff are properly trained and supported to do their jobs, and that we recruit people who have the insight to understand what it may be like to walk in someone else's shoes.

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

AFCA exists to provide people with fair, free and independent help with financial disputes – but people can't use a service they don't know about. AFCA commissioned the Australian National University's Social Research Centre to conduct research, which revealed that, unprompted, only 3% of Australians are aware of AFCA.

To increase awareness, and because we are a new national service, we launched a Financial Fairness Roadshow that will go to more than 80 towns, cities and regional locations across the country. This will give thousands of Australians the opportunity to talk to us face to face, including in communities that normally would never have the opportunity to do so. The national launch was held at Parliament House in Canberra, and was well-supported by federal MPs and Senators, along with other key industry stakeholders.

AFCA has already established itself as a credible and helpful service for the community – one that makes a positive impact. It works constructively with the Australian financial services industry and consumer groups to improve practices and drive up standards. I am confident its impact and services will grow and improve significantly in the years to come.



David Locke

Chief Executive Officer and Chief Ombudsman



About us

AFCA is a not-for-profit and non-government organisation that provides fair, free and independent solutions to financial disputes.

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, insurance, financial advice, investments or superannuation.

Where an agreement cannot be reached between the parties, AFCA can issue decisions that are binding on financial firms.

AFCA was established following the 2016 Ramsay Review into how Australia's external dispute resolution framework could be improved to deliver effective outcomes for all Australian consumers and small businesses.

On 1 November 2018, AFCA replaced the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT) as the one-stop-shop for financial dispute resolution.



“Because of AFCA and the people that work there we have been able to achieve something that was not possible before and have given our family, especially my parents, their quality of life back.”

Year at a glance

Between 1 November 2018 and 30 June 2019



AFCA opened its doors on **1 November 2018**



7,738 FOS complaints transferred to AFCA on 1 November 2018, and 97% of complaints resolved by AFCA



2,490 CIO complaints transferred to AFCA on 1 November 2018, and 84% of complaints resolved by AFCA



47,223 complaints received



79% of complaints lodged online



67% of complaints resolved and more than **\$112.3 million**¹ in compensation was awarded or obtained through AFCA



Of these complaints resolved:

71% resolved within 60 days

74% resolved by agreement or in favour of complainants



37,488 members



86% of members have not had a complaint lodged against them

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



Between 1 July 2018 and 30 June 2019



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

Strategic plan

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
- 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.

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

- 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.



“I am taking this opportunity to let AFCA know that the procedures and immediate action to my situation was very helpful”

How external dispute resolution works

When someone complains to AFCA, we follow a complaint resolution process that provides free and fair outcomes.

We have a range of methods to resolve complaints. We select the method, or combination of methods, that we think is most likely to resolve the complaint fairly and efficiently.

We try to resolve complaints in the most fair, effective and efficient way possible.

The first step in our process is to refer the complaint to the financial firm. The firm then has a set timeframe to work directly with the complainant to reach a resolution. If the complaint is not resolved, the complaint is processed to the AFCA case management stage.

Once in AFCA case management, we will generally try to first resolve a complaint by informal methods, and reach a settlement between a complainant and the financial firm through negotiation or conciliation.

If this doesn't work, we may then use more formal methods, where we may provide a preliminary assessment about the merits of a complaint, or we may make a decision (called a determination).

If we make a determination that is in favour of a complainant and they accept it, the financial firm is required to comply with the determination and any remedy that we award. Complainants have the choice to accept the determination or not. For superannuation complaints, any determination that we make is binding on both parties.

Sometimes, it may be appropriate for us to make a decision straight away, rather than try and reach a settlement through negotiation or conciliation.

You can find out more about the process we follow at afca.org.au/process



Fairness Project

Fairness underpins everything we do at AFCA. This means we must be fair and independent in our decision-making and make decisions that result in fair outcomes. We are developing a framework to ensure that complaints are consistently resolved in a way that is fair, balanced, timely and independent. Our fairness tools will map community expectations and produce a set of criteria for fairness that can be plainly understood and will explain how we assess the fairness of any given complaint.

The outcomes established by the Fairness Project will be a valuable resource to assist financial firms to improve the development and promotion of their products, services and internal dispute resolution processes.

We are also reviewing our engagement with the parties to a complaint, ensuring greater transparency and accountability of decision-making by naming financial firms in published decisions, and explaining our reasons for the decisions in plain English so they are easily understood.

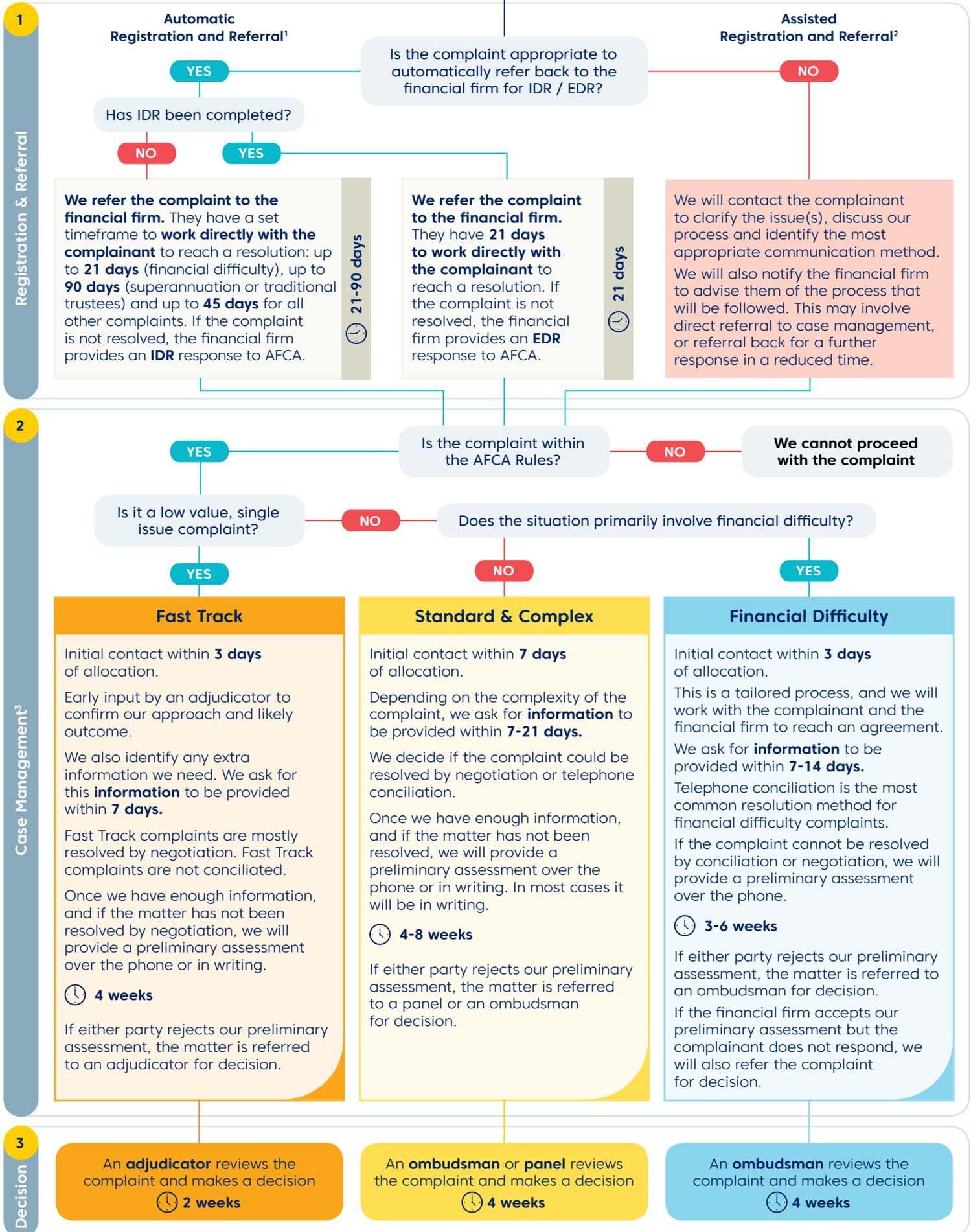
Between 1 November 2018 and 30 July 2019 we:

- commissioned an independent review of our current decision-making process
- engaged The University of Melbourne to conduct a literature and case law review into our fairness jurisdiction as well as the current approaches in external dispute resolution and global ombudsman schemes
- conducted internal workshops to gain insight and feedback into the challenges faced in decision-making
- consulted extensively with external stakeholders.

Work will continue on the project in 2019–20, and we will be undertaking further extensive consultation in late 2019. During 2020, we will update our published approach documents, so stakeholders can better understand how we will deal with certain types of complaints.

AFCA complaint resolution process

Complaint lodged with AFCA



¹ Most complaints will progress through the automatic Registration and Referral process.

² Some complaints may not be appropriate to automatically refer back to the financial firm because of the subject matter, urgency or the accessibility needs of the complainant.

³ These are average expected timeframes.

Members



Who are our members?

Members

Most Australian financial services licensees (AFSL), Australian credit licensees (ACL), authorised credit representatives (ACR) and superannuation trustees are required to be members of AFCA under their financial services licence conditions.

Our members include banks, insurers, credit providers, financial advisers, debt collection agencies, superannuation trustees and many more. AFCA is only able to accept complaints about financial firms that are members of AFCA.

Over 36,000 members successfully joined AFCA before our launch in 1 November 2018. AFCA worked with ASIC from August 2018 to contact and communicate with these firms about their requirement to take out AFCA membership. To sign up members, AFCA established a dedicated membership team and worked with each and every member to transition across from their existing EDR scheme by applying for membership and completing an online assessment and declaration form. This also required a project team to design, develop, test and implement the electronic systems to support this process.

As at 30 June 2019, AFCA had 37,488 members.

Recommended members

In February 2019, AFCA welcomed recommendations from the Senate Inquiry into credit and financial services targeted at Australians at risk of financial hardship. AFCA appeared at the Inquiry and made a submission in January 2019.

AFCA welcomed the Committee's recommendations that a regulatory framework be implemented for all providers of credit and debt management, repair and negotiation activities that are not currently licensed by the Australian Financial Security Authority. We also welcomed the recommendation that those providers should be members of AFCA, giving consumers access to an external dispute resolution scheme.

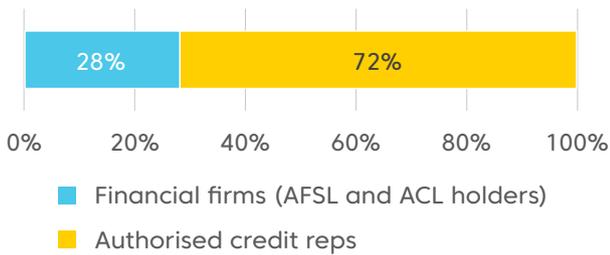
The committee also recommended that consideration be given to an appropriate regulatory framework for the buy now pay later sector, which would include ensuring consumers have access to internal and external dispute resolution. AFCA strongly supports buy now pay later providers becoming members of AFCA. Some buy now pay later businesses have taken out voluntary memberships with AFCA, and we are able to consider complaints against these firms. As at 30 June 2019, AFCA had six voluntary members who provide buy now pay later services.

Between 1 November 2018 and 30 June 2019

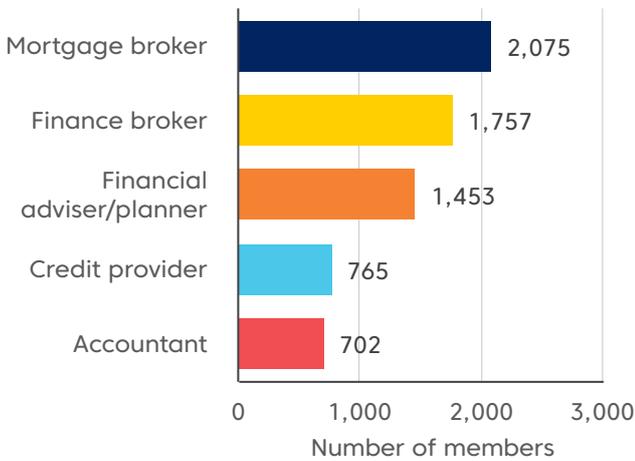
37,488 members

86% of members have not had a complaint lodged against them

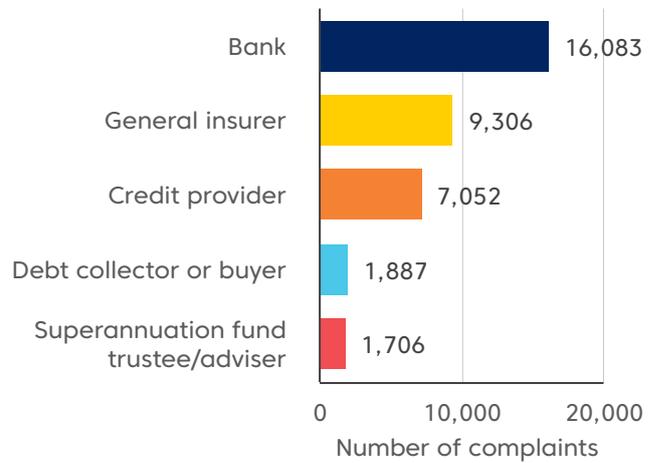
Number of members



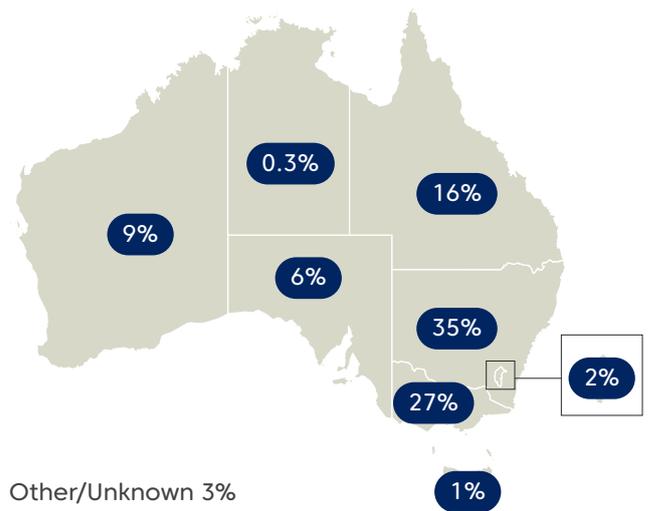
Top five most common member types



Top five member types with the most complaints



Members by state



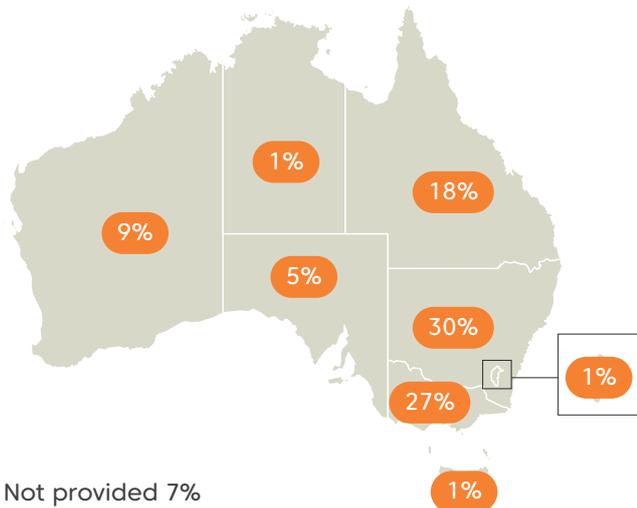
Complaints



Who complained to AFCA?

Between 1 November 2018 and 30 June 2019

Complainants by state



Received disputes by type of additional assistance

79% of complainants lodged online

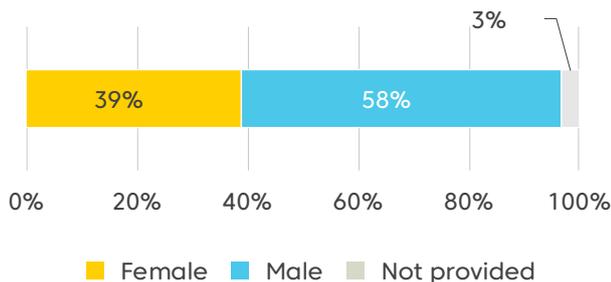
2% of complainants identified as Indigenous or Torres Strait Islander

9,687 complainants had a representative; 33% of these representatives were a family or friend

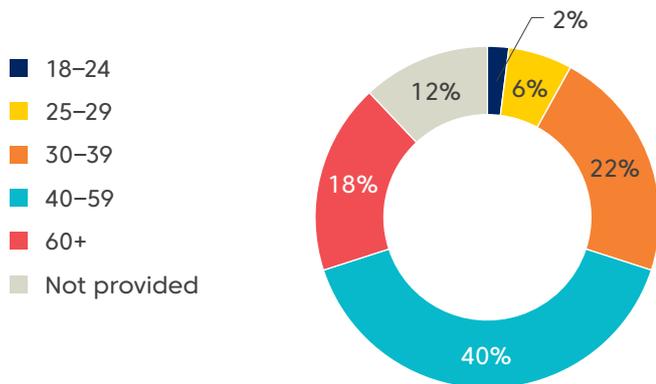
679 complainants requested an interpretation service

Service provided in **75** different languages other than English

Received complaints by gender of complainant



Received complaints by age of complainant



- Top 10 languages other than English:**
- | | |
|---------------|------------------|
| 1. Mandarin | 6. Persian/Farsi |
| 2. Arabic | 7. Afrikaans |
| 3. Cantonese | 8. Korean |
| 4. Vietnamese | 9. Punjabi |
| 5. Spanish | 10. Italian |

Complaints lodged by consumer representatives

Consumer representatives play an important role at AFCA, representing people throughout their complaint, as well as providing referrals for individuals who can't advocate on their own behalf.

Referrals from our trusted consumer stakeholders provide a vital pathway for people who may be experiencing difficult circumstances, and who may not have been aware of our service.

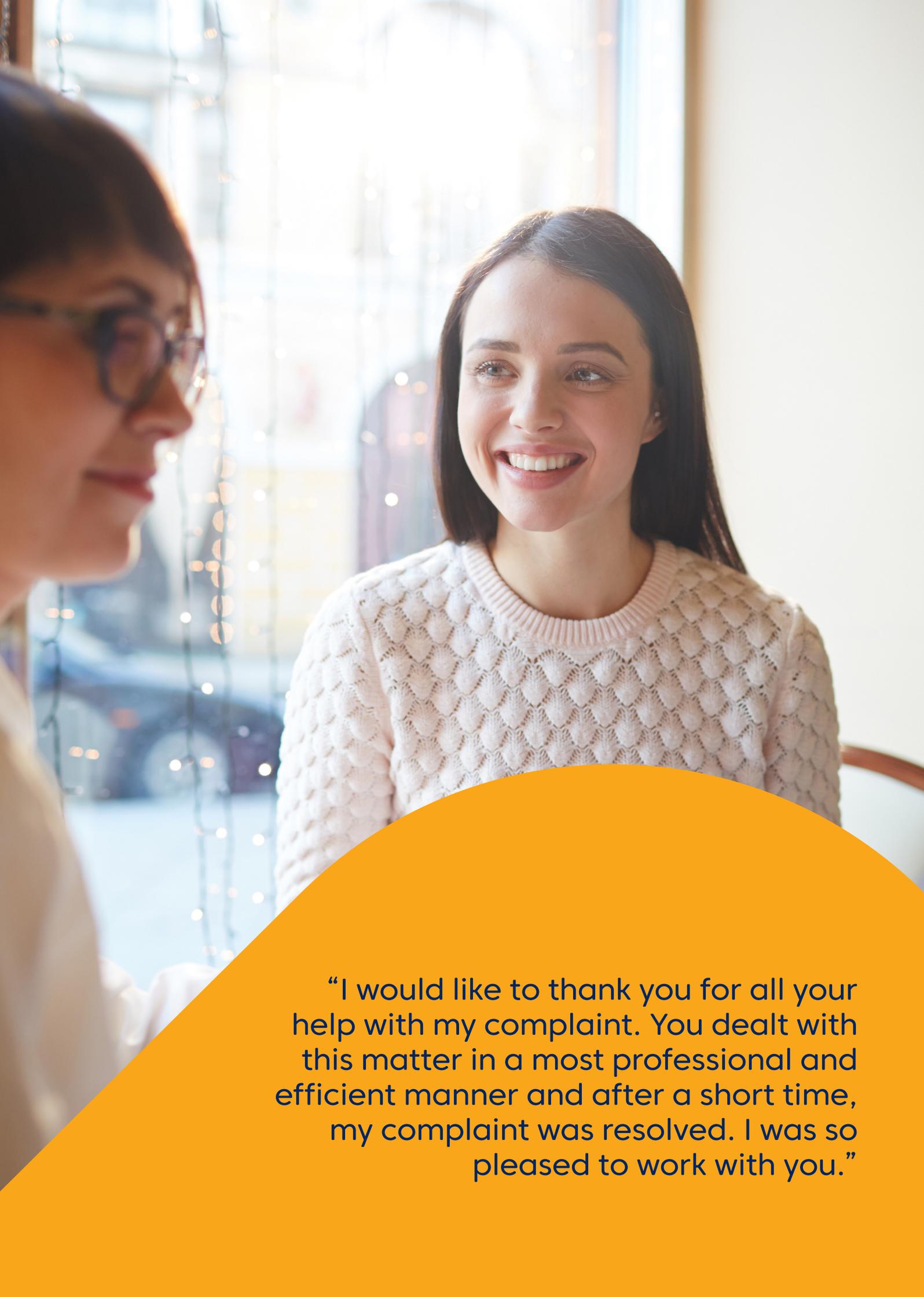
There were 638 complaints lodged by consumer representatives, with over 55% submitted by financial counsellors.

Breakdown of complaints lodged by consumer representatives

Consumer representative type	Lodged	Referrals
Financial counsellor	354	1,039
Solicitor – community/pro bono	230	992
Consumer advocate – community/unpaid	54	419
Total	638	2,450

Paid representatives

Between 1 November 2018 and 30 June 2019, there were 1,046 complaints lodged by fee-for-service organisations. We know, anecdotally, that individuals pay these services, in some cases, thousands of dollars for something as simple as having an incorrect default listing removed, which AFCA can achieve for free. We hope that through our awareness-raising activities, including the AFCA Financial Fairness Roadshow, more people will become aware that our service is free and easy for consumers to use. You should not need to pay someone to use our services.



“I would like to thank you for all your help with my complaint. You dealt with this matter in a most professional and efficient manner and after a short time, my complaint was resolved. I was so pleased to work with you.”

Small business

Under the AFCA Rules, a small business is now defined as an organisation with fewer than 100 employees (an increase from 20 employees under predecessor schemes).

AFCA can consider complaints from small businesses about a credit facility up to the value of \$5 million. Small businesses also benefit from an increase in the compensation cap from \$323,500 to \$1 million, and primary producers, such as farmers, have a compensation cap of \$2 million.

AFCA recognises the importance of small businesses. The final report from the Financial Services Royal Commission clearly demonstrates how devastating it can be when they have financial disputes that are not fairly resolved.

From 1 November 2018 to 30 June 2019, we received 2,812 complaints from small businesses. Of these, 63% of complaints were resolved and more than \$6.9 million¹ in compensation was awarded or obtained through AFCA.

Eight hundred and three of these complaints related to hire and lease products. This large number was primarily due to the impact of the liquidation of a media company, which led to hundreds of small businesses lodging complaints against financial firms with which they had equipment leases. We do not believe this high incidence of complaints about hire and lease products reflects a trend in the small business sector.

The second most common product that was complained about was business loans (341), followed by business transaction accounts (191).

The top issue small businesses complained about was misleading products and service information (811), followed by unconscionable conduct (723). Both of these issues reflect the very high incidence of complaints relating to hire and lease products.

The major issues raised about business loans related to claims of inappropriate provision of credit, and failure by the financial firm to respond to requests for assistance when financial difficulty was being experienced. The major issues relating to business transaction accounts were unauthorised transactions and mistaken internet payments, together being 47% of all business transaction account complaints.

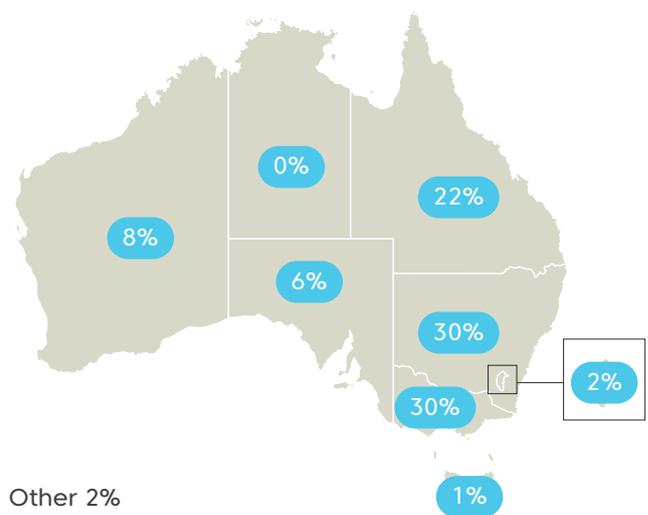
We receive many complaints from small businesses about credit providers that should not have provided credit facilities. AFCA is aware that the National Credit Code imposes obligations on credit providers relating to responsible lending to consumers. These Code responsible lending obligations do not apply to small businesses. To ensure there is no confusion when we deal with such claims from small businesses, we have commenced using the term ‘appropriate lending’ when considering and responding to small business complaints where credit facilities should not have been provided.

When considering these complaints, we determine whether the lender has applied the skill and care of a prudent and diligent lender when assessing whether to provide credit facilities to a small business.

In February 2019, AFCA appointed Geoff Browne as the inaugural Lead Ombudsman for Small Business. The appointment ensures that AFCA places the needs of small businesses front and centre in all our work.

In 2019–20, we plan to expand our engagement with small businesses, their advisers and industry associations to ensure our expanded remit in dealing with small business complaints is widely known. A key element of the AFCA Financial Fairness Roadshow is the Small Business Forums held in major regional cities across Australia.

Small business complaints received by state



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

Between 1 November 2018 and 30 June 2019:

2,812 complaints received

63% of complaints resolved and more than **\$6.9 million**¹ in compensation was awarded or obtained through AFCA

61% complaints were resolved by agreement or in favour of complainants

Of these complaints resolved:
59% resolved within 60 days

24% resolved at Registration and Referral stage

Average time to close a complaint
96 days

85% of complaints were lodged online

Top five small business complaints received by product²

Product	Total
Hire purchase/lease	803
Business loans	341
Business transaction accounts	191
Merchant facilities	153
Motor vehicle – comprehensive	91

Top five small business complaints received by issue²

Issue	Total
Misleading product/service information	811
Unconscionable conduct	723
Denial of claim	215
Unauthorised transactions	141
Mistaken internet payment	131

Stage at which small business complaints closed

Stage	Total
At registration	705
At case management	867
Preliminary assessment	124
Decision	83

Average time taken to close small business complaints

Time	Total
Closed 0–30 days	465
Closed 31–60 days	588
Closed 61–180 days	653
Closed greater than 180 days	73

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

² These figures only include those that progressed to case management. One complaint can have multiple products/issues.

Overview of complaints

Between 1 November 2018 and 30 June 2019

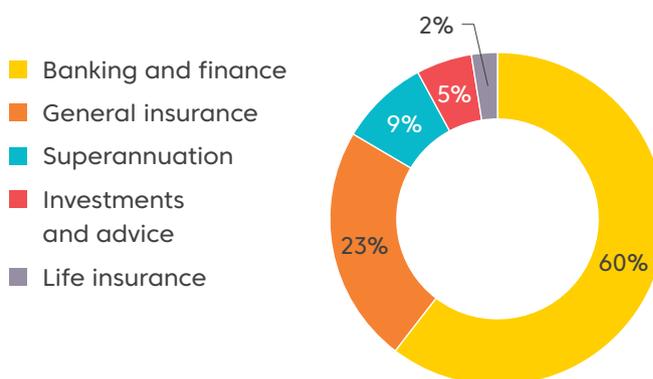
AFCA received 47,223 complaints, which is a 36% increase over the predecessor schemes. Despite the large increase in complaints, AFCA was able to quickly resolve the majority of complaints, with complaints taking 48 days, on average, to resolve. By comparison, the predecessor schemes were resolving complaints, on average, in 54 days (FOS) and 124 days (CIO).

Of 47,223 complaints received, 67% were resolved and \$112.3 million¹ in compensation was awarded or obtained through AFCA.

The data in this Annual Review has been classified by product type.

For more information on how we classify complaints refer to Appendix 1.

Number of complaints received by product line



The product types are:



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

Between 1 November 2018 and 30 June 2019

47,223 complaints received

67% of complaints resolved and more than **\$112.3 million**¹ in compensation was awarded or obtained through AFCA

74% complaints were resolved by agreement or in favour of complainants

Of these complaints resolved:
71% resolved within 60 days

42% resolved at Registration and Referral stage.
(97% resolved during the refer back process)

Average time to close a complaint
48 days

Top five complaints received by product²

Product	Total
Credit cards	7,112
Home loans	4,085
Personal loans	3,724
Motor vehicle – comprehensive insurance	2,680
Home building insurance	1,887

Top five complaints received by issue²

Issue	Total
Credit reporting	3,149
Unauthorised transactions	2,927
Delay in claim handling (insurance)	2,716
Incorrect fees/costs	2,477
Service quality	2,405

Stage at which complaints closed

Stage	Total
At registration	17,980
At case management	11,884
Preliminary assessment	1,404
Decision	587

Average time taken to close complaints

Time	Total
Closed 0–30 days	11,334
Closed 31–60 days	11,355
Closed 61–180 days	8,946
Closed greater than 180 days	220

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

² These figures only include those that progressed to case management. One complaint can have multiple products/issues.

Open cases

As at 30 June 2019, 69% of our open cases were less than 60 days old with 5% being older than 180 days.

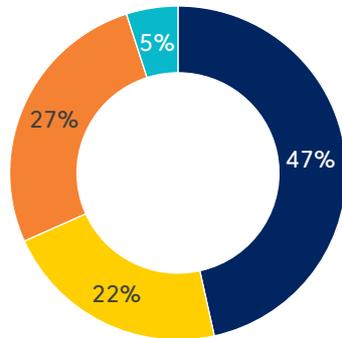
The age of open cases is impacted by a number of factors. This includes the set referral back timeframe which varies from 21 to 90 days depending on the product and/or issues raised by the complaint. Complaints which are handled through our Fast Track and Financial Difficulty processes generally have a lower age profile than those complaints which raise multiple and more complex issues.

Since 1 November 2018 we have significantly increased staff resources to meet the increase in volumes of complaints to assist in reducing the age profile of open complaints.

As at 30 June 2019, AFA has **15,371** open cases

Open cases by age

- 0-30 days
- 31-60 days
- 61-180 days
- Greater than 180 days



Open predecessor scheme cases*

There were 335 FOS complaints open at the end of June (66 complaints were reopened during this period)

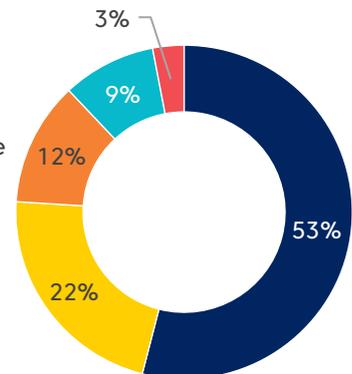
There were 399 CIO complaints open at the end of June (seven complaints were reopened during this period)

Open cases by stage of the process they are at

Stage	Percentage
At Registration	35%
At case management	53%
Preliminary Assessment	9%
Decision	4%

Open cases by product type

- Banking and finance
- General insurance
- Superannuation
- Investments and advice
- Life insurance



* These cases are not included in open cases by age, stage or product type statistics.

Complaints closed by AFCA

AFCA resolved 41,422 complaints in total between 1 November 2018 and 30 June 2019.

This includes:

- 31,855 AFCA complaints
- 7,469 FOS complaints and 2,098 CIO complaints that were transferred to AFCA on 1 November 2018

69% of complaints were resolved by agreement or in favour of complainants.

Complaints lodged with FOS were resolved by AFCA under the FOS Terms of Reference. Complaints lodged with CIO were resolved by AFCA under the CIO Rules.

Further information about the transition and complaints resolved by FOS and CIO in 2018–19 is available on pages 99–100.

Between 1 November 2018 and 30 June 2019

	AFCA	FOS	CIO	Total
Complaints resolved by agreement or in favour of complainants				
Resolved at Registration and Referral	19,220	2,212	n/a	21,432
Assessment	274	92	n/a	366
Negotiation	3,068	982	n/a	4,050
Conciliation	542	206	n/a	748
Resolved by agreement (CIO)	n/a	n/a	467	467
Preliminary Assessment in favour of complainant	275	338	n/a	613
Determination in favour of complainant	125	577	118	820
Determination Trustee decision substituted	7	n/a	n/a	7
Determination Trustee decision varied	1	n/a	n/a	1
Total	23,512	4,407	585	28,504
Other outcomes				
Outside Rules or Terms of Reference	4,605	956	143	5,704
Discontinued by complainant	2,748	478	542	3,768
Determination in favour of financial firm	382	1,100	344	1,826
Preliminary Assessment in favour of financial firm	574	528	n/a	1,102
Preliminary Assessment: Trustee decision affirmed	2	n/a	n/a	2
Determination Trustee decision affirmed	32	n/a	n/a	32
Decision confirming financial services provider offer (CIO)	n/a	n/a	484	484
Total	8,343	3,062	1,513	12,918
Grand total	31,855	7,469	2,098	41,422



Banking and finance complaints

Between 1 November 2018 and 30 June 2019

28,285 complaints received

71% of complaints resolved and more than **\$41 million**¹ in compensation was awarded or obtained through AFCA

76% complaints were resolved by agreement or in favour of complainants

Of these complaints resolved:

74% resolved within 60 days

46% resolved at Registration and Referral stage

Average time to close a complaint

44 days

Top five banking and finance complaints received by product²

Product	Total
Credit cards	7,112
Home loans	4,085
Personal loans	3,724
Personal transaction accounts	1,819
Hire purchase/lease	1,430

Top five banking and finance complaints received by issue²

Issue	Total
Credit reporting	3,140
Unauthorised transactions	2,839
Responsible lending	2,028
Failure to respond to request for assistance	1,740
Incorrect fees/costs	1,521

Stage at which banking and finance complaints closed

Stage	Total
At registration	11,700
At case management	7,662
Preliminary assessment	574
Decision	175

Average time taken to close banking and finance complaints

Time	Total
Closed 0–30 days	7,965
Closed 31–60 days	7,013
Closed 61–180 days	5,042
Closed greater than 180 days	91

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

² These figures only include those that progressed to case management. One complaint can have multiple products/issues.

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
- 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
- privacy and confidentiality breaches
- inadequate service, including unreasonable delays or failure to assist a vulnerable customer.

AFCA has consistently received high volumes of complaints about banking and finance products. Banking and finance complaints made up over 60% of all complaints received.

Of 28,285 banking and finance complaints received, 20,111 have closed. 46% closed at Registration and Referral.*

Most of the complaints were about credit cards (7,112), followed by home loans (4,085) and personal loans (3,724).

While the most common issue was credit reporting, this reflects the fact that this is often raised as a secondary issue in a large number of complaints. Unauthorised transactions were the second most common issue.

We have seen a significant number of cases related to scams, where the scammer tricks the customer into transferring funds or providing access to their account. The methods used by scammers have become increasingly sophisticated and are designed to overcome a financial firm's unauthorised transaction procedures. When considering these types of complaints, AFCA considers what good industry practice requires of the financial firm in the circumstances of each case and whether it has done what it said it would in responding to these types of complaints.

We have continued to see high numbers of complaints about responsible lending in relation to credit cards, personal loans and home loans.

In addition to complaints brought by the primary borrower, we have seen a number of cases where vulnerable consumers have been signed up as the guarantor or co-borrower of a loan, as the result of undue pressure from the borrower and without fully understanding the nature of their obligations. AFCA reviews responsible lending complaints to identify whether the financial firm has complied with its obligations under applicable credit legislation and the Banking Code of Practice.

* Excludes complaints that are yet to have closure reason classified.

The establishment of AFCA as a one-stop-shop for financial services complaints has meant that we are better able to assist consumers and small businesses with complaints about irresponsible lending. In many cases, a consumer will not know whether they should lodge a complaint against the lender or the mortgage broker (for example, where the information considered by the lender was inaccurate or incomplete).

In the past, lenders and mortgage brokers were

often members of separate external dispute resolution schemes, which made it difficult for consumers to work out who could assist them. AFCA is able to consider complaints about both the lender and the mortgage broker, meaning we can access relevant documents from both parties to identify whether any error or misconduct has occurred.

Case study

Family violence and responsible lending

The complainant applied for a loan with a limit of \$53,600, which the bank approved. At the time, the complainant was a victim of family violence and had been pressured into taking out the loan by an ex-partner. Although the complainant was working full-time, she already had other debts. The complainant said the loan should not have been provided because it was unaffordable based on her earnings and circumstances at the time, and that the bank had not verified her ability to service the loan.

Process and outcome

We organised a conciliation meeting but encouraged the parties to take the opportunity to first try to resolve the issue directly with each other.

The internal dispute resolution team at the bank reviewed the complaint and agreed with the complainant that the loan should not have been approved. A thorough review of her application would have revealed an inability to meet repayments due to a low salary and existing debts when the loan was approved.

The bank offered to:

- close the account and waive the entire debt of \$59,031
- refund \$10,465 that had already been paid towards the loan
- remove the record of the loan application from the complainant's credit profile.

The complainant accepted this offer and AFCA closed the case.



Case study

Recognising unusual banking behaviour

The complainant had been a customer of the bank for several years and held a number of accounts with it. The complainant was the victim of an online romantic fraudster, which led to him making withdrawals totalling \$376,360 over a period of four months. The funds were transferred to third-party accounts overseas by way of seven separate transfers carried out at a branch of the bank. After the third transfer was cancelled by the overseas bank, the complainant returned to the branch several days later with a new overseas account number. The bank's staff did not make any enquiries about the transfers. Prior to this, the complainant had only made one overseas transfer several years before, and for a comparatively small amount. The complainant approached AFCA to investigate.

AFCA had to decide whether:

- the bank had an obligation to the complainant to ask about the transfers
- the bank staff had acted appropriately in the circumstances.

Findings and outcome

While financial firms are not required to query every overseas transaction, they are required to recognise circumstances that indicate their customer may be the victim of a scam and consider options to reduce the risk. The first two transfers showed no unusual features and would not have warranted further enquiries by the bank. However, by the third transfer the bank should have asked for more information, given this transfer was initially cancelled and the complainant returned with a new account number.

As the transfers were for large sums of money and appeared out of character with the complainant's banking history, AFCA found that the bank did not respond appropriately to the red flags raised by the third transfer. Had the bank questioned the transfers or raised the possibility that the complainant was the victim of a scam, it is likely that the third to seventh transfers would not have been made.

AFCA decided it was fair that:

- the bank refunds the total amount (\$295,258) of the transfers they should have questioned, plus interest and fees.



Case study

Recognising financial elder abuse

The financial firm approved a home loan to four co-borrowers – an elderly couple (the complainants), their son and his wife. The complainants' home was provided as security for the loan.

The complainants wanted the bank to discharge the mortgage over their home. They said they had not received any benefit from the loan and had not made any repayments. The complainants said their son had put undue pressure on them to become co-borrowers under the loan and the bank had not provided them with the necessary paperwork.

AFCA investigated whether the bank:

- should have approved the complainants as co-borrowers for the loan
- should have been aware of the risk that elder abuse was occurring
- complied with its obligations to the complainants under the Code of Banking Practice when accepting them as co-borrowers.

Findings and outcome:

We considered whether the bank should have recognised that the complainants were under undue influence from their son and subject to financial elder abuse. In these circumstances, the bank should not have approved the loan without making further enquiries. If they had done so, the loan would not have been approved.

We found the bank failed to recognise several red flags in the loan application including:

- The complainants were elderly.
- They were in receipt of an age pension.
- Their primary place of residence was being used as the security for the loan.
- Their son was the point of contact for the loan and the bank didn't discuss the loan directly with the complainants, despite the significant risk to them.
- The bank didn't make any assessment of the complainants' ability to meet repayments.

We also found the bank failed to comply with its obligations under the Banking Code of Practice. It accepted the complainants as co-borrowers even though they did not get any direct benefit from the loan, and failed to ensure the complainants understood they would be liable for the full amount of the debt. On this basis, the complainants were not liable for the debt.

AFCA made a recommendation, which was accepted by both parties, that:

- The bank was not entitled to recover the outstanding debt from the complainants and should remove the mortgage from their property.
- The bank pay non-financial loss compensation of \$1,000 to the complainants for significant stress and inconvenience.



General insurance complaints

Between 1 November 2018 and 30 June 2019

10,803 complaints received

69% of complaints resolved and more than **\$37 million**¹ in compensation was awarded or obtained through AFCA

77% of complaints resolved by agreement, or in favour of complainants

Of these complaints resolved:

71% resolved within 60 days

46% resolved at Registration and Referral stage

Average time to close a complaint

51 days

Top five general insurance complaints received by product²

Product	Total
Motor vehicle policies	2,805
Home building	1,887
Travel	1,029
Motor vehicle – uninsured third party	798
Home contents	534

Top five general insurance complaints received by issue²

Issue	Total
Delay in claim handling	2,023
Claim amount	1,989
Denial of claim – exclusion/condition	1,667
Denial of claim	1,366
Service quality	666

Stage at which general insurance complaints closed

Stage	Total
At registration	4,367
At case management	2,175
Preliminary assessment	572
Decision	319

Average time taken to close general insurance complaints

Time	Total
Closed 0–30 days	2,219
Closed 31–60 days	3,048
Closed 61–180 days	2,082
Closed greater than 180 days	66

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

² These figures only include those that progressed to case management. One complaint can have multiple products/issues.

AFCA can consider complaints about the following general insurance products:

- consumer credit insurance
- home building
- home contents
- motor vehicle
- personal and domestic property
- trust bond
- residential strata title
- sickness and accident
- ticket insurance
- travel insurance.

The types of issues and problems AFCA resolves include:

- insurance premiums that were incorrectly applied or calculated
- information that wasn't disclosed about a product, or was misleading or incorrect
- decisions a financial firm has made, such as denial of an insurance claim
- if a complainant gave instructions and they weren't followed
- privacy and confidentiality breaches
- disputes over liability for a car accident or insurance excess
- denial of a travel insurance claim because of a pre-existing condition.

Complaints about general insurance products made up 23% of all complaints.

Of 10,803 general insurance complaints received, 7,425 have closed. 46% closed at Registration and Referral.*

This demonstrates that the general insurance industry is proactively resolving complaints more quickly and efficiently than it did in the past. For some insurers, their individual resolution rates through Registration and Referral are over 50%, which is a level we would like all financial firms to reach.

The most complained about insurance products were motor vehicle policies (2,805), followed by home building (1,887) and travel (1,029).

AFCA also received 195 complaints about small business insurance. This includes complaints related to business interruption, commercial properties, land and machinery.

Complaints about insurance brokers have remained low (198), but they have increased in comparison to the number received by previous schemes. The issues have remained unchanged, with the level of service provided and inappropriate advice being the most complained about issue.

AFCA has been active in its engagement with both industry and consumer groups in tackling some of the emerging issues in insurance. We continue to meet and discuss the implementation of the Financial Services Royal Commission recommendations, changes to the industry code, the introduction of unfair contract terms, consumer protections for insurance contracts regulated under the *Insurance Contracts Act 1984* (Cth) and other issues, including the industry's response to domestic violence and elder abuse.

AFCA continues to partner with the Insurance Council of Australia, industry and consumer groups in responding to the impact of natural disasters. We attended and engaged in numerous community forums following the Townsville floods and Sydney hailstorm. This proactive approach by all parties has seen the earlier resolution of matters. The complaints received from the Sydney hailstorm (48) and Townsville floods (56) remain much lower than expected.

Case study

Conciliation at work – reaching a fair outcome

The complainant's home suffered water damage due to a leaky washing machine from an upstairs apartment. The insurer assessed the damage and, following an agreed scope of works, appointed a builder. The complainant was unable to live in the house during the works. Afterwards, the complainant was not happy with the quality of the work and claimed that the finished works did not meet the original scope of works. The insurer argued that the completed works matched the original scope of works, but offered to have the alleged defects fixed by the same builder, the complainant rejected this offer and complained to AFCA.

AFCA investigated whether the insurer's approach was fair having regard to the policy terms and good industry practice.

Findings and outcome

A certificate of insurance and Product Disclosure Statement (PDS) sets out the extent of repairs an insurer must carry out. Additionally, under the principle of indemnity, the insurer is required to repair the property as close as reasonably possible to its condition prior to the damage. We highlighted these points to the insurer and complainant and organised a conciliation between the parties.

During a telephone conciliation call the complainant and insurer were able to openly discuss the issues and suggest options for resolving the complaint. The complainant explained her position and the toll that the works were taking.

The conciliation resulted in the insurer offering to:

- appoint a new builder to correct the poor workmanship
- provide a new scope of works to include the additional requests of the complainant
- reimburse the accommodation costs for the complainant and her family
- pay \$3,000 in compensation for inconvenience.

Case study

Malicious acts, repair and cash settlement, legal costs

The complainants lodged a claim with the insurance company after their neighbour's construction and excavation work caused damage to their property. The complainants said this was deliberate, malicious and done with reckless disregard, all of which their policy covered.

The insurance company denied the claim. Although it agreed that the neighbour caused damage to the complainants' property, it said that the damage was not caused with malicious intent and, therefore, not covered by the policy.

The complainants disagreed and provided evidence to support their claim. In bringing the case to us, the complainants sought payment for the damage to their property as well as for the legal costs they had incurred throughout the dispute with the neighbour and the insurance company.

AFCA investigated whether:

- the neighbour's actions were malicious
- the insurer should repair or cash settle the claim
- the insurer was liable for the legal costs incurred by the complainant to stop the neighbour.

Findings and outcome:

The policy covers malicious acts and vandalism. Malicious damage is a wrongful act without just cause, including where a party recognises the risk of causing damage, but shows a reckless indifference to causing that damage.

The neighbour's actions were malicious because:

- he intentionally carried out works to the complainants' property
- he intentionally acted outside the terms of the development consent and court orders
- he was aware of the possibility of damage being sustained, but intentionally drilled into the complainants' property, showing reckless indifference to the likelihood of damage.

The complainants had protracted involvement with the neighbour to stop him from knowingly encroaching their boundary and obtained court orders to stop his actions. These were ignored.

Therefore, it was fair in all the circumstances, given the neighbour's actions went far beyond an accidental encroachment and were deliberate and reckless, that the damage be assumed as deliberate.

We decided that:

- The actions of the neighbour were malicious.
- The insurer should repair the damage to the complainants' home.
- The insurer should pay the complainants' outstanding legal costs valued at over \$350,000.

The information, while identifying the cost to repair, indicated that the true extent of damage could not be determined. In the circumstances, it was fair that the insurer complete the repairs rather than cash settle the dispute.

Further, the complainant had incurred substantial legal costs to prevent the neighbour continuing with the conduct. These costs were incurred without the insurer's consent, but were necessarily incurred to minimise the loss. It was fair that the insurer cover these costs under the terms of the policy.

“After more than two years of being bounced around, you have taken the time and consideration required to work the case to a result. I cannot thank you enough for not only doing your job by being fair, accommodating and understanding of both parties, but you did so in an extremely professional manner.”





Superannuation complaints

Between 1 November 2018 and 30 June 2019

4,031 complaints received

54% of complaints resolved and more than **\$11.8 million**¹ in compensation was awarded or obtained through AFCA

72% of complaints resolved by agreement, or in favour of complainants

Of these complaints resolved:
52% resolved within 60 days

28% resolved at Registration and Referral stage

Average time to close a complaint
66 days

Top five superannuation complaints received by product²

Product	Total
Superannuation account	1,680
Total and permanent disability	674
Death benefit	364
Income protection	322
Pension	70

Top five superannuation complaints received by issue²

Issue	Total
Incorrect fees/costs	568
Delay in claim handling	463
Account administration error	299
Claim amount	262
Denial of claim	251

Stage at which superannuation complaints closed

Stage	Total
At registration	960
At case management	1,034
Preliminary assessment	140
Decision	45

Average time taken to close superannuation complaints

Time	Total
Closed 0–30 days	454
Closed 31–60 days	675
Closed 61–180 days	1,009
Closed greater than 180 days	41

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

² These figures only include those that progressed to case management. One complaint can have multiple products/issues.

AFCA can consider complaints about the following superannuation products:

- superannuation annuities
- corporate, industry and retail super funds
- self-managed super funds (handled under our investments and advice jurisdiction)
- approved deposit funds
- some public sector schemes
- small funds
- retirement savings accounts.

The types of issues and problems AFCA resolves include:

- advice given about a superannuation product
- fees or costs that were incorrectly charged or calculated
- misleading or incorrect information – for example, if benefit statements are incorrect
- information not being provided about a product, including fees or costs
- decisions a superannuation provider has made, including decisions about an application for insurance held through superannuation
- decisions about a disability claim, including where the claim involves insurance cover held through the superannuation fund
- 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 or unauthorised.

Superannuation complaints are subject to special rules and requirements. Unlike other complaints that AFCA considers, there are no monetary limits for superannuation complaints and specific time limits apply. If we are satisfied the decision or conduct was fair and reasonable in all the circumstances, we must affirm it.

Complaints about superannuation products made up 9% of all AFCA complaints.

Of 4,021 superannuation complaints received, 2,179 have closed. 28% closed at Registration and Referral.*

The products most commonly complained about were superannuation accounts (1,680), total and permanent disability benefits (674) and death benefits (364).

Complaints about superannuation products are largely due to financial firms not explaining products and contract terms clearly to consumers when they join the fund. Across all superannuation products, financial firms need to better educate consumers about their products, claim amounts for insured benefits, fees and charges and the claims process.

The top five issues largely reflect this, with incorrect fees and costs, delays in claims handling and claim amount all appearing.

Complaints about the payment of death benefits are common, and we have found there is confusion around who can be a beneficiary and, therefore, who can complain to AFCA.

Generally, potential beneficiaries will be one or more of the following:

- the spouse of the member (including a de facto or same-sex spouse)
- a child of the member (including an adopted child or a stepchild)
- a person with whom the member had an interdependency relationship
- a person who was wholly or partially financially dependent on the member
- the member's legal personal representative.

* Excludes complaints that are yet to have closure reason classified.

This reflects the purpose of a superannuation death benefit to provide for people who were financially dependent on the deceased at the date of death. We suggest that potential complainants consider the *AFCA Approach to superannuation death benefit complaints* on our website to gain a better understanding about this issue.

Negotiated resolutions have been particularly successful in the superannuation space, with 16% of cases resolving through these methods. Informal methods of resolution often result in more creative solutions to give consumers access to justice.

Case study

Ensuring fairness in communicating changes

The complainant was terminally ill and had been making contributions to his superannuation account each year, so that he would maintain his insurance cover. The complainant made a claim for a terminal illness benefit, but as his health had temporarily improved, this claim was unable to be paid at the time.

The fund did not receive a contribution to his superannuation account for over a year. It said it informed the complainant – via a letter – that it would be cancelling his insurance. After the insurance was cancelled, the complainant turned 65 years of age. As he was not currently employed, he was no longer eligible to make contributions to his superannuation fund. The complainant claimed he did not receive the letter cancelling his insurance from the fund.

Findings and outcome

During our investigation we highlighted to the trustee that:

- the fund was a voluntary subscriber to the superannuation Insurance Code of Practice, under which at least two communications should be issued before cancelling insurance cover. The fund had failed to provide these two communications.
- it should have been clear to the trustee that the insurance cover was important to the complainant given he had previously submitted a claim for terminal illness benefit.

The trustee liaised with the insurer to explain the issues.

The trustee then agreed to:

- reinstate the complainant's cover with the insurer
- pay for the complainant's annual insurance premiums up until the age of 70 (when cover would cease under the policy).



“Wow you are a miracle worker!”



Investments and advice complaints

Between 1 November 2018 and 30 June 2019

2,518 complaints received

44% of complaints resolved and more than **\$16.8 million**¹ in compensation was awarded or obtained through AFCA

59% of complaints resolved by agreement, or in favour of complainants

Of these complaints resolved:

57% resolved within 60 days

19% resolved at Registration and Referral stage

Average time to close a complaint

60 days

Top five investments and advice complaints received by product²

Product	Total
Foreign exchange	845
Mixed asset fund/s	235
Self-managed superannuation fund	228
Shares	226
Superannuation fund	171

Stage at which investments and advice complaints closed

Stage	Total
At registration	444
At case management	573
Preliminary assessment	54
Decision	27

Top five investments and advice complaints received by issue²

Issue	Total
Failure to follow instructions/agreement	701
Inappropriate advice/ failure to act in client's best interests	535
Incorrect fees/costs	194
Misleading product/service information	138
Service quality	118

Average time taken to close investments and advice complaints

Time	Total
Closed 0–30 days	304
Closed 31–60 days	318
Closed 61–180 days	467
Closed greater than 180 days	9

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

² These figures only include those that progressed to case management. One complaint can have multiple products/issues.

AFCA can consider complaints about the following investment and advice products:

- derivatives
- managed investment schemes
- securities
- self-managed superannuation funds.

The types of issues and problems AFCA resolves include:

- advice that wasn't in the complainant's best interests or was inappropriate
- fees or commissions that were incorrectly charged, applied or calculated
- information not provided to a complainant about the product, including fees or costs, or that was misleading or not appropriate (including the risk of an investment product)
- decisions that a financial firm has made, including the suitability of an investment, an inappropriate margin call notice or the risk profile of a complainant
- if a complainant gave instructions (for example, to buy or sell stock) and they weren't followed or there was a delay in processing the instruction
- transactions that were not undertaken correctly or were unauthorised.

AFCA received a small (2,518), but increasing number of complaints about investment and advice products, making up 5% of all complaints received.

Of 2,518 investments and advice complaints received, 1,098 have closed. 19% closed at Registration and Referral.*

Most of the complaints were about trading in foreign exchange (845) and other high-risk products such as contracts for difference and cryptocurrency. The next most complained about products were mixed asset funds (235) and self-managed superannuation funds (228).

We believe that, in part, the number of complaints we have received about foreign exchange trading can be attributed to the regulatory environment in Australia. Many other countries have tighter restrictions around this type of investment product and trading activities. This has resulted in companies with an Australian Financial Services licence providing financial products and services to many international clients. ASIC now has a product intervention power that allows it to intervene where a financial product has, or will, result in significant consumer detriment. AFCA has publicly supported ASIC's potential use of this power to help protect retail investors from very high-risk investment strategies.

The types of complaints we see in relation to foreign exchange trading are platform reliability and consumer suitability to trade high-risk products.

Although not in the top five, AFCA also received 59 complaints about Contracts for Difference where we saw similar issues.

* Excludes complaints that are yet to have closure reason classified.

The top issue for other investment and advice services were failures by financial firms to follow instructions or agreements, followed by inappropriate advice or a failure to act in a client's best interests – with 1,236 complaints in total about these three issues. Financial advisers have a responsibility to act in the best interests of their clients. The questions AFCA asks in these situations include whether the advice was suitable and appropriate for the client and their appetite for risk.

Investment and advice complaints are generally very complex for a number of reasons. Advisory relationships can sometimes extend over many years and loss is often not incurred until well after investments are recommended. Calculating loss arising from misconduct or a breach of obligations can be difficult.

In the case of advisers, there is often a breakdown of the professional relationship, which makes it more difficult for the parties to come to a resolution without AFCA's involvement.

Due to this complexity, AFCA often uses panels when assessing these types of complaints to ensure robust decision-making, and that the decision takes into account the consumer and industry perspectives. This helps us make sure the decision is fair in all circumstances.

Case study

Unsuitable advice

The complainant went to a financial firm to have his tax return done. He expressed an interest in minimising his tax and agreed to meet an adviser to discuss his tax and financial plans.

In the discussions, the adviser discovered that the complainant's broader goals included paying off his home loan, sorting out his super and reviewing his insurance.

Subsequently, the adviser provided recommendations to the complainant that, he said, would help him achieve his goals.

The goals included making a significant investment in an agribusiness; refinancing his home loan, taking an additional loan on an investment property; establishing a self-managed super fund (SMSF), and using that to invest in another property; and also taking out extensive 'trauma, life and total and permanent disability' insurance coverage.

At the time of the advice, the complainant was in a good financial position. However, following the advice, he has lost \$322,000.

AFCA investigated whether:

- the advice given was appropriate
- the complainant's decisions to invest were based on the advice received
- the adviser met his legal and ethical obligations to the complainant.

Findings and outcome:

AFCA found the advice provided to the complainant was inappropriate for his financial position and personal circumstances. The complainant did not have the secure income and personal circumstances required to repay the loan debts, or adequately manage the trustee responsibilities that came with the adviser's recommendations. He also did not express interest in taking on these responsibilities.

AFCA found the complainant's decisions to invest were a direct result of the advice he received. Without this, he would not have independently adopted this investment strategy. AFCA also found that, in providing personal advice, the adviser breached his duty under the *Corporations Act 2001* (Cth) to act in the best interests of his client.

AFCA determined the financial firm must:

- pay \$170,000 (plus 1.5% interest) to the complainant to cover his personal losses
- pay \$150,000 (plus 1.5% interest) to the complainant's superannuation fund to cover the fund's losses.



Case study

Misleading conduct

The complainant opened a trading account with a financial firm. This account allowed the complainant to trade on the financial performance of currency and other financial products. Over the course of a year, the complainant deposited \$137,000 into the account. He eventually lost all the money on trading losses.

The complainant said he was misled about the true nature of the financial firm's operation in providing this service to him.

The financial firm's operation meant that it made money by retaining a portion of the loss a customer might have made on a trade. However, the financial firm's Financial Services Guide and its Product Disclosure Statement stated that the firm did not make money from customers' losses.

In addition, the financial firm's representatives provided the complainant with guidance and advice on trades without him knowing that the financial firm had a financial interest in the trades losing money.

We investigated:

- if the firm's business model represented a conflict of interest, and if this conflict was made clear to the complainant
- if the complainant would have invested with the firm if he had known how it operated
- if the firm had notified the complainant about the nature of the services it would provide.

Findings and outcome:

AFCA found that the firm's significant financial interest in the complainant losing money was a conflict of interest that had to be clearly disclosed. Failing to clearly explain the true nature of the firm's operations misled the complainant.

The financial firm has an obligation to act efficiently, honestly and fairly. It failed to do so when it did not clearly explain the conflict of interest at the start of the relationship.

AFCA accepted the complainant's submissions that he would never have opened an account or traded with the financial firm if he had known how it operated and was remunerated.

Consequently, he would not have lost the money he lost in trading with the financial firm.

AFCA determined that a fair outcome was:

- to return the complainant to the financial position he would have been in, if he had not been misled.
- the financial firm compensate the complainant for the \$137,000 deposited and lost, including interest.



Life insurance complaints

Between 1 November 2018 and 30 June 2019

1,168 complaints received

55% of complaints resolved and more than **\$5.2 million**¹ in compensation was awarded or obtained through AFCA

60% of complaints resolved by agreement, or in favour of complainants

Of these complaints resolved:

49% resolved within 60 days

22% resolved at Registration and Referral stage

Average time to close a complaint

69 days

Top five life insurance complaints received by product²

Product	Total
Income protection	399
Term life	183
Total and permanent disability	111
Funeral plans	103
Trauma	95

Top five life insurance complaints received by issue²

Issue	Total
Misrepresentation and non-disclosure of premiums	215
Denial of claim	140
Delay in claim handling	98
Cancellation of policy	86
Claim amount	83

Stage at which life insurance complaints closed

Stage	Total
At registration	230
At case management	328
Preliminary assessment	65
Decision	21

Average time taken to close life insurance complaints

Time	Total
Closed 0–30 days	98
Closed 31–60 days	220
Closed 61–180 days	313
Closed greater than 180 days	13

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

² These figures only include those that progressed to case management. One complaint can have multiple products/issues.

AFCA can consider complaints about the following life insurance products:

- consumer credit insurance
- income protection
- annuities
- endowments
- funeral plans
- scholarship funds
- term life policies
- total and permanent disability policies
- trauma policies
- accidental death
- whole of life policies.

The types of issues and problems AFCA resolves include:

- premium increases where there is an allegation of non-disclosure, misrepresentation or incorrect application of insurance premiums
- information about a product that wasn't disclosed, or was misleading or incorrect
- decisions a financial firm has made, such as denial of an insurance claim
- complainants' instructions that weren't followed
- privacy and confidentiality breaches.

AFCA received a small number (1,168) of complaints about life insurance products in the period from 1 November 2018 to 30 June 2019.

Of 1,168 life insurance complaints received, 644 have closed. 22% closed at Registration and Referral.*

Compared to other product areas, the number of closures when complaints are referred back to life insurers is very low. This is, in the past, due to the complex nature of most life insurance disputes. For example, many relate to denial of a claim to beneficiaries. We still believe there is greater scope, however, for life insurers to reassess their decisions and conduct objectively when a complaint is made, and to listen and understand the consumer's experience or their service.

Most of the complaints were about income protection policies (399), followed by term life insurance (183) and total and permanent disability insurance (111).

The top issues were decisions to deny insurance claims and premium increases where there was an allegation of non-disclosure, misrepresentation or incorrect application of premiums. When considering complaints about denial of claims, AFCA considers whether the life insurer has fairly interpreted and applied the policy terms and conditions to the client's circumstances.

When considering premium increases, we consider whether the policy document adequately disclosed the instances of how, when and why the insurer may increase premiums.

One key issue that is being raised is whether a consumer meets the definition of a medical term in a policy. Consumers report that financial firms continue to rely strictly on policy definitions that do not meet current medical practices. In addition, consumers often feel misled about which illnesses are covered by policies and which are not.

Life insurance cases take the longest on average to close, at an average of 69 days. This is largely due to the complexity of the complaints and the time it takes both the complainant and the insurer to submit supporting medical and financial evidence to AFCA.

Case study

Denied life insurance policy reinstatement

The complainant held a life insurance policy for over 15 years, but when he moved to a new house the renewal notices were not forwarded on. The insurer cancelled the policy in accordance with its terms and conditions when the premium wasn't paid. When he discovered the lapse, the complainant contacted the insurer and asked it to reinstate the policy. He was initially told this wouldn't be a problem, and that he needed to fill in the policy reinstatement application form for the insurer to review.

The complainant noted on the reinstatement form that he had an episode of multiple sclerosis (MS) in 2011, during the time he had the cover. The insurer denied the request to reinstate the policy on the basis of this disclosure.

The complainant came to AFCA looking for help to get the life insurance policy reinstated.

We investigated if the insurer:

- was entitled to cancel the policy

- was obliged to reinstate the policy and, if so, on what terms
- complied with the *Life Insurance Act 1995* (Cth) when notifying the complainant about the cancellation.

Findings and outcome

During our investigation, the complainant was able to show the insurer that his 'mail forwarding' that had been in place, had expired before the renewal notice was sent out – meaning that the complainant had not received it and, therefore, had not knowingly failed to pay the premium. During our consideration of the issues, we also noted that the wording in the payment reminder and cancellation notices appeared problematic.

We set up a conciliation conference to produce an outcome where:

- the insurer offered to reinstate the policy, and for the complainant to pay the outstanding premiums.

Financial difficulty complaints

Between 1 November 2018 and 30 June 2019

Individuals and small businesses can sometimes find themselves in situations where they are unable to meet their repayment obligations.

We call this financial difficulty. Sickness, unemployment, over-commitment, business downturn and events, such as natural disasters, can all cause financial difficulty.

AFCA uses a streamlined process for complaints about financial difficulty to ensure these complaints are dealt with in an efficient, timely and fair manner. Financial difficulty complaints are identified as soon as possible after we receive them.

The types of issues and problems AFCA resolve include a financial firm:

- declining or failing to respond appropriately 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 in some situations.

We have seen a significant increase in the number of complainants experiencing financial difficulty, which is concerning given the current low interest rate environment. This may be due to the effects of increased living costs and stagnant wage growth.

The transition of home loan repayments from interest only to principal and interest may also be having an impact.

AFCA received 5,327 financial difficulty complaints with credit cards, personal loans and home loans being the products most commonly giving rise to repayment problems.

Disappointingly, the most common issues were financial firms either failing to respond to requests for assistance, or failing to recognise when a consumer was in financial difficulty. Our experience indicates that financial firms need to get better at identifying consumers who indicate they are experiencing financial difficulty, even if they do not make an express request for assistance. Once a consumer's financial difficulty is identified and they are directed towards the appropriate channels, financial firms are generally better at responding.

Due to the sensitivity of financial difficulty complaints, we encourage financial firms to negotiate a resolution, instead of prolonging the complaint process. We held 484 conciliations from 1 November 2018 to 30 June 2019 for financial difficulty complaints.

Demographics of people in financial difficulty

Between 1 November 2018 and 30 June 2019

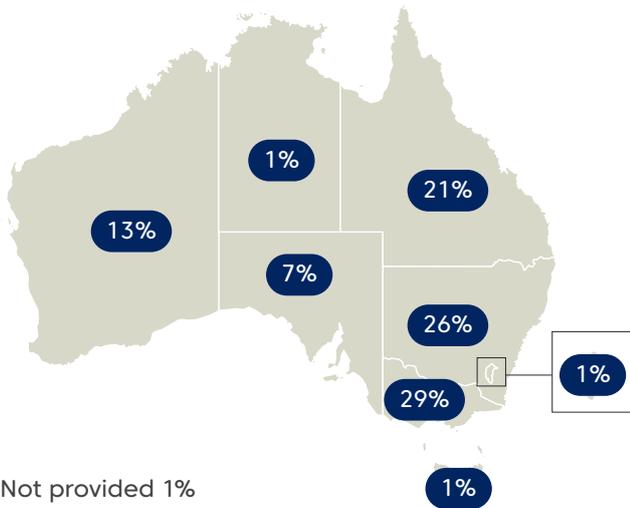
34% of complainants were represented by a friend or family member

82% of complainants lodge online

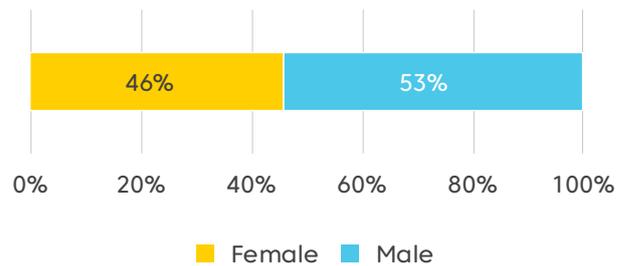
1% of complainants requested interpreting language services

4% of complainants identified as Indigenous or Torres Strait Islander

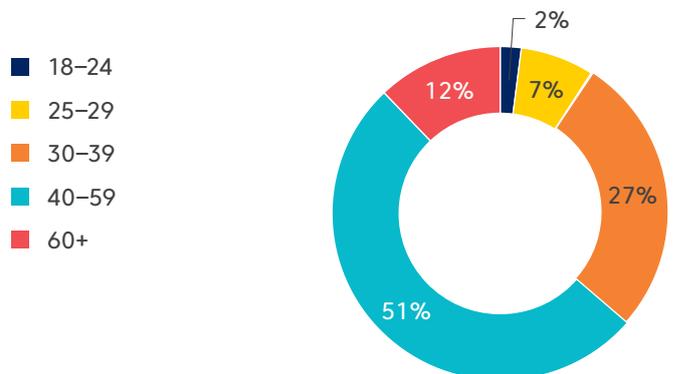
Received disputes by state



Received disputes by gender of complainant



Complaints received by age



Between 1 November 2018 and 30 June 2019

5,327 complaints received

69% of complaints resolved and more than **\$7.1 million**¹ in compensation was awarded or obtained through AFCA

74% of complaints resolved by agreement, or in favour of complainants

Of these complaints resolved:
69% resolved within 60 days

34% resolved at Registration and Referral stage

Average time to close a complaint
48 days

Top five financial difficulty complaints received by product²

Product	Total
Credit cards	1,063
Personal loans	1,009
Home loans	852
Business loans	130
Line of credit/overdraft	83

Stage at which financial difficulty complaints closed

Stage	Total
At registration	1,643
At case management	1,987
Preliminary assessment	51
Decision	3

Top five financial difficulty complaints received by issue²

Issue	Total
Failure to respond to request for assistance	1,046
Decline of financial difficulty request	650
Request to suspend enforcement proceedings	359
Default notice	207
Default judgment obtained	169

Average time taken to close financial difficulty complaints

Time	Total
Closed 0–30 days	1,123
Closed 31–60 days	1,412
Closed 61–180 days	1,132
Closed greater than 180 days	17

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

² These figures only include those that progressed to case management. One complaint can have multiple products/issues.



Case study

Impact of terminal illness

The complainant's wife fell ill with cancer, and the growing medical expenses meant he was forced to take on more debt using credit cards and loans to pay for her treatment. The complainant consolidated that debt into a personal loan. He also had a home loan and was able to keep up with the payments because the home loan repayments were interest only. However, as the interest only period was due to expire, the complainant realised he would no longer be able to make the repayments for both loans. He proactively asked the bank for assistance – before he went into arrears – to combine the personal loan and home loan to make the payments manageable. However, the bank said it could only help when he actually fell into arrears on the payments, not before. This caused the complainant significant stress and anxiety.

The complainant came to AFCA looking for help to avoid falling into financial difficulty. He wanted the bank to combine the loans.

During our consideration of the issues, we investigated:

- if the bank had met its financial difficulty obligations
- what the most appropriate outcome would be.

Findings and outcome

AFCA's approach to financial difficulty says that credit providers must give genuine consideration to borrowers who are experiencing financial difficulty, including where they are unable to pay an amount outstanding. AFCA can also compel a firm to vary the repayments under a credit contract.

We set up a conciliation conference between the parties, which resulted in:

- the bank waiving the entire outstanding debt under the personal loan (over \$30,000) and closing the account
- the bank capitalising the arrears owing on the home loan and extending the loan term by two years to reduce the monthly payment amount
- the complainant agreeing to continue to make the monthly principal and interest repayments for six months, to give the bank comfort that he could service the loan, following which he would continue to make the same monthly repayments for the life of the loan.

Conciliation

Conciliation is one of the methods AFCA uses to resolve complaints and, in our experience, it can often be the fastest and most effective way to ensure that both parties listen to, and understand, the experience of the other.

Our conciliators are independent and skilled in mediation. Having an experienced person guide the conversation makes it easier for everyone to talk about the complaint and their experience.

The aim of a conciliation conference is to try to resolve the complaint by agreement on the day. This doesn't always happen, but we find a conciliation conference can be an effective way for everyone to gain a better understanding of the issues and circumstances. It also allows for the parties to be actively engaged in the creation of the solution to their complaint.

Both financial firms and complainants report the conciliation process is fair and positive. Survey results found 84% of conciliation participants found the process to be positive and more than 90% of respondents agreed with the statement "The conciliator was fair and did not take sides."

From 1 November 2018 to 30 June 2019, AFCA significantly increased the number of conciliations conducted compared to predecessor schemes, with 2,363 conciliations conducted.

AFCA continues to build our capability to resolve complaints using conciliation and now has a team of 10 specialist conciliators. In addition, a further 74 case workers in the banking and finance, general insurance, investments and advice, and superannuation teams were accredited to conduct conciliations.

We continue to engage with complainants and financial firms to promote participation in the conciliation process. In April 2019, AFCA hosted a webcast on conciliation to answer pre-submitted and live questions from stakeholders. The webcast is now available on our website.

For more information about conciliations, visit afca.org.au/conciliation

Systemic issues

Between 1 July 2018 and 30 June 2019

A systemic issue is one that has implications beyond an individual complaint. The issue may have been raised in one or more complaints or we may have identified it through other information we have received, such as complaint trends or information gained through AFCA's external engagement.

AFCA is required under the Corporations Act and ASIC Regulatory Guide 267 to identify and resolve systemic issues and serious contraventions. AFCA is also required to report to ASIC, APRA or the Australian Taxation Office on all definite systemic issues, and any possible serious contraventions of the law it identifies. This reporting names financial firms involved.

AFCA is not a regulator of the financial services industry. Any regulatory action that arises from a systemic issue is appropriately addressed by the relevant regulator.

Our approach is to work collaboratively with financial firms to resolve any systemic issues identified. This includes financial firms implementing or refining controls to avoid recurrence of the issue where appropriate.

Our systemic issues work gives us the opportunity to help financial firms fix issues that cause complaints and prevent more from occurring. It also helps raise industry standards and prevents harm to consumers.

Common issues identified in systemic issues work include:

- non-compliance with responsible lending obligations
- misleading and deceptive conduct
- misconduct of employees/authorised representatives
- inadequacy of claims-handling process
- non-compliance with the *Insurance Contracts Act 1984* (Cth) and Regulations
- non-compliance with the Corporations Act obligations
- processing and system errors
- inadequate resourcing and handling of internal complaints functions.

AFCA inherited 181 open or potential systemic issues cases from FOS, and 42 from CIO on 1 November 2018.

Throughout 2018–19, AFCA staff identified an additional 1,214 potential systemic issues.

We also referred 24 possible serious contraventions to regulators. As at 30 June 2019, more than 800 consumers have been offered rectification as a result of these events.

* Information on systemic issues relates to complaints received by FOS, CIO and AFCA in the 2018–19 period.

Between 1 July 2018 and 30 June 2019

1,214 potential systemic issues identified

281 systemic issues investigated and referred to financial firms

163 definite systemic issues resolved with the financial firms

182 cases assessed as not systemic

24 possible serious contraventions referred to regulators

Outcomes of our work

Key outcomes of systemic issues resolved were:

- definite systemic issues that impacted almost 270,000 consumers identified and addressed
- more than \$32 million¹ in refunds following direct AFCA involvement
- more than 60,000 credit listings amended or removed.

Delivering fair outcomes:

- A financial firm remediated 52,000 credit card customers \$10.5 million for mis-selling of consumer credit insurance. Additionally, 71,000 loan protection customers received \$8 million in compensation for similar conduct.
- A financial firm agreed to a remediation program that led to \$7.2 million being paid to 16,500 customers for mis-selling add-on insurance products over a four-year period.
- A financial firm identified and remediated multiple breaches of customer mandates totalling over \$6.8 million.
- A financial firm refunded \$165,000 to affected customers after AFCA found that its calculation of premium refunds was inconsistent with AFCA's approach.

- A financial firm completed a remediation program for all customers impacted by inadequate policies and procedures for selling terminal illness and death benefit life insurance policies. It compensated \$45,000 to 18 customers.
- A financial firm contacted 985,000 customers, who had received incorrect policy wording about the extent of complementary travel insurance cover linked to their credit cards. Its complementary travel insurance provider conducted a full review of claims to identify and remediate any other customers.
- A financial firm worked with Family and Community Services and Disability Australia to assist vulnerable residents of a boarding home to secure banking arrangements to protect against inappropriate access.
- A financial firm made multiple changes to its process and procedures for its over-the-counter 'contracts for difference' trading platform, including its Client Qualification Policy and Product Disclosure Statement.

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

Improving industry practices

We assessed 182 referred issues that were not systemic. However, in many cases improvements to internal practices were achieved from the referral. The following improvements help to reduce the risk that consumer complaints will occur:

- A financial firm will refine its online banking portal to improve consumer understanding about loan repayments required.
- A financial firm implemented a new assessment module in its application form and process.
- A financial firm updated the wording of its lease agreements to remove confusion about whether or not insurance was included.
- A financial firm now requires staff to conduct checks for any relevant consumer credit insurance policies where customers are experiencing financial difficulty in repaying credit cards and personal loans.
- A financial firm updated its disclosure documents, and marketing and communication material to make it clearer how customers qualify for bonus interest on term deposit accounts.
- A financial firm improved its internal and external dispute resolution processes by employing additional staff and introducing 24/7 customer support through live chat on its website.
- To improve its sale of insurance products, a financial firm introduced a customer feedback survey, provided staff with updated training courses and processes, and began conducting regular reviews of complaints and compliance incidence data.

Case study

The complainant's account was being charged interest incorrectly. The interest rate disclosed in the contract for the customer's overdraft facility was 16%. They were, however, being charged twice that rate at 32%.

The issue was originally identified by the financial firm in 2013 and again in 2015, and affected accounts were remediated at those times. In 2016, further accounts were impacted and customers were remediated again. The financial firm agreed, following our further investigations, to put in place more robust controls to prevent the issue from recurring.

Findings and outcome

We were not satisfied that the financial firm had adequately demonstrated it had identified all affected accounts, as the AFCA complaint that had resulted in the issue being identified was not included in its remediation program and the customer did not receive the appropriate refund.

Following further investigation of the issue, the financial firm identified that further accounts were affected by the issue.

Remediation of the affected accounts was completed in May 2019, with a total remediation of approximately \$4 million paid to customers holding around 2,500 accounts.

Complaints outside the Rules

Between 1 November 2018 and 30 June 2019

AFCA is governed by a set of Rules that outline what types of complaints we can and can't consider.

Our Rules Team reviews complaints when questions are raised about whether a complaint is within our jurisdiction.

The most frequent reason we cannot consider a complaint is because there was no financial service provided to the complainant. In many cases, this is because the complainant has selected the incorrect financial firm to lodge a complaint against.

We want to help

Where we do not have the power to consider a complaint, we will still endeavour to work with the parties to find a solution where possible.

In these cases, we will inform the parties that we do not have the power to consider the complaint but, nonetheless, ask the parties to consider what would be a fair outcome to the situation. Our team has negotiated the following types of outcomes:

- monetary compensation
- released funds or releasing funds to an estate
- an apology
- financial hardship arrangement
- copies of requested documents.

We also try to provide information to complainants about other ways they can resolve their complaints outside of AFCA.

Top 10 reasons for outside rule complaints

Rule	Description	Number
Mandatory exclusions		
B.2.1 (a)	Financial service not provided	1,411
C.1.2 (d)	Dealt with by a court, tribunal or predecessor scheme	425
C.1.3 (a)	Assessment of credit risk	262
A.4.2	Financial firm not a current member	249
C.1.2 (a)	Level of fee / premium / charge / interest rate	237
A.4.1	Complainant not eligible	223
B.2.1 (f)	Uninsured motor vehicle criteria not met	221
B.4.3.1 (a)	Outside six year time limit	219
Discretionary exclusions		
C.2.2 (c)	Complaint relating to financial firm's practice or policy	548
C.2.2 (a)	More appropriate place	309

Exercising our discretion to exclude a complaint

We do not exercise our discretion to exclude a complaint lightly.

The most common situations where we would exercise our discretion are where:

- the matter relates to a practice or policy that we cannot require the firm to change, such as its decision to close a local branch
- the issues have been previously settled, for instance through a Deed of Settlement
- another forum is better placed to assist with the core issue
- a fee-charging representative is not acting in the best interests of the complainant and we are unable to reach the complainant directly.

Complaints where we concluded there was a more appropriate forum

We will exclude a complaint under rule C.2.2 (a) where we consider it is more appropriate for the issues raised by the complaint to be addressed by another jurisdiction. Examples of these types of complaints include:

- The complaint is raised against the collections agent who is an AFCA member, but the complainant disputes liability for the debt, which is with a telecommunication provider. The Telecommunications Industry Ombudsman is the more appropriate forum.
- The matter is already before the Superannuation Complaint Tribunal, lodged before 1 November 2018.
- A garnishee order or the division of assets, which is more appropriately dealt with by a court.

Legacy complaints

Between 1 July 2018 and 30 June 2019

In the wake of last year's Financial Services Royal Commission, the Commonwealth Government expanded AFCA's powers to hear financial complaints.

For a 12-month period, AFCA can consider complaints lodged by Australian consumers and small businesses about financial firms' conduct dating back to 1 January 2008. These complaints would otherwise fall outside AFCA's normal time limits.

This expansion of AFCA's powers provides people with the opportunity to have their

complaints heard, and is an important part of financial firms' commitment to justly remediate the misconduct of the past and meet the community's expectations of fairness.

AFCA can accept legacy complaints between 1 July 2019 and 30 June 2020. We invite the community to take advantage of the opportunity to have their concerns considered by AFCA while the jurisdiction is available.

To find out more about lodging a legacy complaint with AFCA visit afca.org.au/legacy

Naming financial firms

AFCA is committed to being open, transparent and accountable to the public.

We understand that we play an important public role, and recognise that transparency in our data and decisions is essential to rebuilding trust in the financial sector.

In June 2018, AFCA ran a public consultation on proposed changes to our Rules and allow us to identify financial firms in published determinations.

Following the consultation, ASIC approved the following change to our Rules.

From 1 October 2019, AFCA began naming financial firms in published determinations.

This is an important change, and the public will now be able to access increased information about the actions of financial firms. You can search for published decisions on our website, afca.org.au/decisions

Stakeholder engagement



Customer service

Between 1 November 2018 and 30 June 2019

Providing world-class customer service is a priority for AFCA. We strive to deliver an excellent customer experience that meets diverse needs.

We have gone to great lengths to improve our service over the last year. In May 2019, we ran workshops to evaluate our service and develop a customer service strategy.

Our average call times with complainants have increased from less than eight minutes to close to 10 minutes. We see this as a success, as it means we are spending quality time with customers to fully understand their complaint or situation and offer the best information possible to resolve the complaint.

In total, we received 106,960 calls to our dedicated consumer, small business and member lines in the first eight months of our operations.

106,960 phone calls to our dedicated consumer, small business and member lines

99,403 calls to our consumer and small business phone line

7,557 calls to our membership phone line

5,060 online live chats

Feedback and complaints about AFCA service

AFCA has a robust and systematic method for dealing with feedback about our service.

We regularly receive compliments for the service we provide. In 2018–19 we received 205 compliments.

Positive feedback included compliments about our staff, and their care and empathy when handling complaints. Comments were also made by complainants who thought they achieved an outcome they could not have achieved without our involvement. Feedback was also provided about AFCA providing a balanced and fair process.

We received 229 service complaints in 2018–19. Of these 229 service complaints, 18 were escalated to the Independent Assessor (representing 9% of total service complaints closed).

In 2018–19, we recorded 97 expressions of dissatisfaction. An expression of dissatisfaction is feedback that does not require a response. It may be received via our website, or a staff member may log feedback based on an email or telephone conversation.

Service issues

The most common issues raised in service complaints were about delays in our service, allegations of bias and our level of expertise. Service issues may relate to the general service we provided and the process we followed in dealing with a complaint. They may also concern the service provided when we issued a determination or relate to membership services, including fees charged.

In 2018–19, we resolved 194 service complaints. Of these complaints, 88% were not upheld.

Of the service complaint issues upheld, the overwhelming majority related to aspects of how we engaged with the parties during our handling of their dispute. The most common service-related complaints upheld were about delays.

Outcomes and timeframes

Common outcomes for service complaints we upheld included an apology to the complainant involved, and further explanation to the parties about our decision-making or process.

We resolved 66% of service complaints within our timeframes. Average days to resolve a service complaint was 20 days in 2018–19.

AFCA service complaint	Number of service issues
Determination	76
Membership/finance	12
Service	298
Total	386

Note: Some service complaints have more than one issue, so this total is greater than the number of service complaints received.

Engagement

Between 1 November 2018 and 30 June 2019

Working with consumers, small business and industry is critical to the success of AFCA. We recognise the experience and expertise of our stakeholders and appreciate the benefits of sharing knowledge to raise standards, minimise disputes, meet the needs of the community and improve the effectiveness of our dispute resolution service.

We have a robust engagement program that includes forums, liaison groups, one-on-one meetings, events, consultations, webinars, a newsletter and social media channels.

Key activities in 2018–19:

903,063 website visits

19,000 newsletter subscribers

15 member forums held

Over **336** events and stakeholder engagements, which include one-on-one meetings, forums, events and speaking engagements

Awareness research

In June 2019, the Australian National University's Social Research Centre conducted awareness research on behalf of AFCA.

The research surveyed a statistically robust representative group of 2,000 people to gauge how aware the public is of AFCA.

- Awareness of AFCA was low, with only 3% of respondents naming AFCA unprompted. This is not surprising given AFCA is still very new.
- Almost half of respondents (45%) were unable to name any services or organisations available to someone wishing to make a complaint about a financial services provider.
- When prompted by name, 18% (including the 3% who were aware unprompted) of respondents reported knowing of AFCA.
- A further 4% of respondents reported being aware of AFCA when a brief description was provided.
- The highest awareness was among respondents aged 55+ (26%).
- The lowest awareness was among those aged 35–54 (18%).

Attributes associated with AFCA

The positive attributes most strongly associated with AFCA were:

- Fair (55%)
- Accessible (52%)
- Impartial (51%)
- Independent (51%)
- Acts in the interest of individuals (50%).

This survey will act as a baseline for AFCA, and we hope to see improved awareness levels when we run the survey again in the future.

Website

Our website is one of the main ways we provide information to the public and our members. It contains information on how to lodge a complaint, what AFCA can consider complaints about, our published decisions and latest news items. Our easy-to-use system allows complainants to tell us in their own words what their complaint is, and what outcome they would like. The online complaint form allows people to lodge complaints at a time that suits them and not just during our office hours.

From 1 November 2018 to 30 June 2019, AFCA had 903,063 website visits.

Social media

We use social media to enhance access to our service and to share information relevant to consumers, small businesses and financial firms.

We are online weekdays 9.00am to 5.00pm AEST/AEDT, responding to questions and sharing updates.

As at 30 June 2019, we had 1,761 Twitter followers; 2,398 Facebook page likes and 3,712 LinkedIn connections.

Follow us to stay up to date



@afca_org_au



facebook.com/AustralianFinancialComplaintsAuthority



linkedin.com/company/australian-financial-complaints-authority



Australian Financial Complaints Authority

Newsletter

Our newsletter, *AFCA News*, contains case studies, articles and information that is relevant to members and consumers. We released our first issue on 21 March 2019 to almost 19,000 subscribers. We have since released a further three issues, which are available on our website at afca.org.au/newsletter

We encourage subscribers to send us their financial questions and article suggestions, so we can answer them in future issues. If you would like to subscribe to *AFCA News*, please email publications@afca.org.au

Member forums

Forums are an opportunity for our members from across the different areas of the financial services sector to discuss current complaint statistics and trends, the AFCA complaint-handling process, industry developments and insights. They can also discuss specific case studies on the AFCA approach to decision-making.

From 1 November 2018 to 30 June 2019, representatives from more than 500 AFCA members attended 15 forums held around Australia in Adelaide, Brisbane, Melbourne, Perth and Sydney.

Industry liaison group meetings

Industry liaison groups usually consist of 12–20 senior representatives from member firms, industry associations and AFCA who meet between two to four times a year to discuss issues of mutual interest in their specific industry.

AFCA has established industry groups for superannuation, investments and advice, general insurance, life insurance professional indemnity and medical indemnity.

Webcasts

AFCA hosted seven webcasts, providing the opportunity for stakeholders to log in and participate remotely from anywhere in Australia. The webcasts included live streaming our Sydney member forums in April 2019, as well as three interactive information sessions on conciliation, legacy complaints and our approach to the Townsville floods.

These webcasts were also recorded and made available on the AFCA website for those who could not participate on the day.

Outreach

From 1 November 2018 to 30 June 2019, we participated in events for consumers, consumer representatives including financial counsellors, community lawyers and financial capability workers. These events included the following:

- Sydney Homeless Connect
- Elder Abuse Conference
- Sydney Seniors and Disability Expo
- Bring Your Bills Days
- ACOSS conference
- Yabun Festival
- Mardi Gras Fair Day

Stakeholder engagements

AFCA attended over 336 events and stakeholder engagements from 1 November 2018 to 30 June 2019. These engagements included one-on-one meetings, forums, events and speaking events.

Our staff members attended these events in multiple capacities including keynote speakers, taking part in panel discussions, hosting training workshops or manning exhibition booths.

Supporting the consumer sector

From 1 November 2018 to 30 June 2019, we participated in a broad range of events, with a focus on engaging consumer advocates including financial counsellors, community lawyers and financial capability workers.

Annual conferences attended were:

- Australian Council of Social Service
- Communities in Control
- Financial Counselling Australia, including the Twilight EDR Forum
- Financial and Consumer Rights Council
- Financial Counsellors' Association of NSW
- Financial Counsellors' Association of Queensland
- Financial Counsellors' Association of Western Australia
- National Association of Community Legal Centres
- National Elder Abuse Conference
- Queensland Community Legal Centres
- South Australian Financial Counsellors' Association

The future of AFCA member services

In April 2019, we commissioned Kantar Public to undertake member research that was designed to help us identify member needs, guide the development of our member services and improve the way we communicate with our members.

Focus groups

We held 90-minute face-to-face focus groups with representatives from more than 40 members including small, medium and large organisations in Brisbane, Sydney, Melbourne and Perth.

The focus group participants discussed perceptions of their own internal complaints-handling processes, their experiences with AFCA and their expectations of AFCA member services.

Survey

We also invited all financial firm members to participate in an online survey. Participants were asked to rate their level of satisfaction with AFCA interactions, and to rank the value of current and proposed member services to their business.

We also asked them to tell us which attributes were important for AFCA to display, and whether we are delivering on our goal to provide a valued member service to improve internal practices and avoid or resolve disputes.

Seventeen per cent of financial firm members provided a response to the survey.

Results

Overall, our members are satisfied that we are meeting our goal “to provide a valued member experience that helps members to improve internal practices to avoid or resolve disputes”.

But there is a general sense that although, member services are valuable, they remain secondary until the core function of external complaints resolution is bedded down.

This is reflected in results showing that the current member services rated most valuable were those directly supporting the processing of complaints, such as secure services portal, external dispute resolution response guides and approach documents.

Suggestions for improvements to current member services related mainly to the improvement of secure services functionality, and the provision of guidelines, tools and strategies to help members with complaint handling.

We also asked members to rate the value of proposed member services that we may offer in the future. More than 50% of respondents said that internal dispute resolution and external dispute resolution training workshops, best practice seminars, written case studies and case study workshops were critical or very valuable.

Next steps

These research findings have emphasised the need for our member services to support our members in the external complaints resolution process and provide the means for sharing knowledge and experience.

With this in mind, the three key areas of focus for the future of AFCA members’ services will be to:

1. improve the functionality of secure services
2. provide a comprehensive range of complaint-handling resources
3. facilitate training and development opportunities.

AFCA Consumer Advisory Panel

The AFCA Consumer Advisory Panel (ACAP) was formed in March 2019 with a commitment to consult with consumer advocates on all major initiatives.

The panel consists of 10 consumer representatives who provide insights and analysis on our strategy and policy, as well as highlighting emerging consumer issues.

ACAP is chaired by Peter Gartlan, who brings over 25 years' experience in the consumer sector, including as Executive Officer for the Financial and Consumer Rights Council and as a Consumer Action Law Centre Board member.

Panel members represent the communities we serve including older Australians, Indigenous and Torres Strait Islander peoples, culturally diverse communities and people experiencing difficult circumstances.

Some of the emerging issues discussed by the panel to date include buy now pay later services and consumer detriment; mortgage stress; responsible lending and fairness.

The panel meets quarterly in different locations across Australia.

ACAP members:

- Peter Gartlan, Chair
- Gerard Brody, Chief Executive Officer, Consumer Action Law Centre
- Karen Cox, Coordinator, Financial Rights Legal Centre
- Anne Crouch, Manager, Uniting Country SA
- Aaron Davis, Managing Director and Chief Executive Officer, Indigenous Consumer Action Network
- Tony Devlin, Territorial Coordinator Moneycare, The Salvation Army
- Fiona Guthrie, Chief Executive Officer, Financial Counselling Australia
- Paul Holmes, Senior Lawyer, Legal Aid Queensland
- Dana Beiglari, Senior Solicitor, Legal Aid NSW
- Gemma Mitchell, Managing Solicitor, Consumer Credit Legal Service WA
- Sonia Vignjevic, Victorian State Director, Settlement Services International



National roadshow

AFCA is currently travelling across Australia to offer people free Financial Fairness Checks, and to talk about how we can help with financial complaints.

Research has shown that fewer than half of those who experience a problem with their financial firm actually make a complaint. This could be because they're not sure if their complaint is valid, or because they think the financial firm won't listen to them.

To address this, the AFCA Financial Fairness Roadshow will stop at over 80 metropolitan, regional and rural communities across Australia.

From September 2019, AFCA's Chief Ombudsman and CEO, David Locke, as well as senior leaders and complaints experts, will be at train stations, shopping centres and public spaces talking to people about their financial dispute experience and how AFCA can help to resolve complaints.

AFCA will use the nationwide Financial Fairness Roadshow as an opportunity to host forums and hear first-hand about the financial issues faced by Australians, particularly those from regional and remote communities, while improving its services in the process.

For more information about the roadshows, visit afca.org.au/roadshow

Financial Fairness Roadshow forums

In addition to AFCA's Financial Fairness Roadshow events, it will host roundtable forums in a selection of regional hubs with small businesses and business groups; AFCA members; and consumer advocacy groups, including local legal aid, financial counsellors and social services.

Each forum is tailored to the needs and challenges of that particular stakeholder group. They will provide localised insight and drive awareness of AFCA's free, fair and independent financial dispute resolution services among local influencers and service providers.

Consultation and submissions

We make written submissions to consultations, reviews and inquiries that relate to financial services policy and regulation or dispute resolution arrangements. Through our submissions, we aim to reduce the number of future disputes and to continue to improve the services provided by us, and also other dispute resolution services or mechanisms.

AFCA made 14 submissions to inquiries, reviews or other consultations from 1 November 2018 to 30 June 2019. Where possible, we publish our submissions on our website:

afca.org.au/submissions

Consultations, inquiries, and reviews AFCA made submissions to from 1 November 2018 to 30 June 2019 include the following:

- Senate inquiry into credit and financial services targeted at Australians at risk of financial hardship
- Financial Adviser Standards and Ethics Authority consultation to develop a Code of Ethics
- Financial Services Council review of Life Insurance Code of Practice
- Senate inquiry into resolution of disputes with financial services providers within the justice system
- Treasury consultation about general insurance disclosure reforms
- Treasury consultation about insurance claims-handling reforms
- Independent review of Customer Owned Banking Code of Practice

In addition, we ran two public consultations on changes to our Rules, that enable us to identify financial firms in published determinations and to consider legacy complaints dating back to 1 January 2008.

You can find out more about our consultations at **afca.org.au/consultations**

Compensation scheme of last resort

AFCA and its predecessor schemes have long advocated for the establishment of a compensation scheme of last resort. AFCA was pleased to see Commissioner Hayne recommend the establishment of the scheme in the final report from the Financial Services Royal Commission.

In response to the recommendations, the Commonwealth Government set up a \$30-million fund to pay consumers and small businesses that had determinations from the FOS and CIO, but never received payment because the financial firm was under external administration, deregistered or wound up.

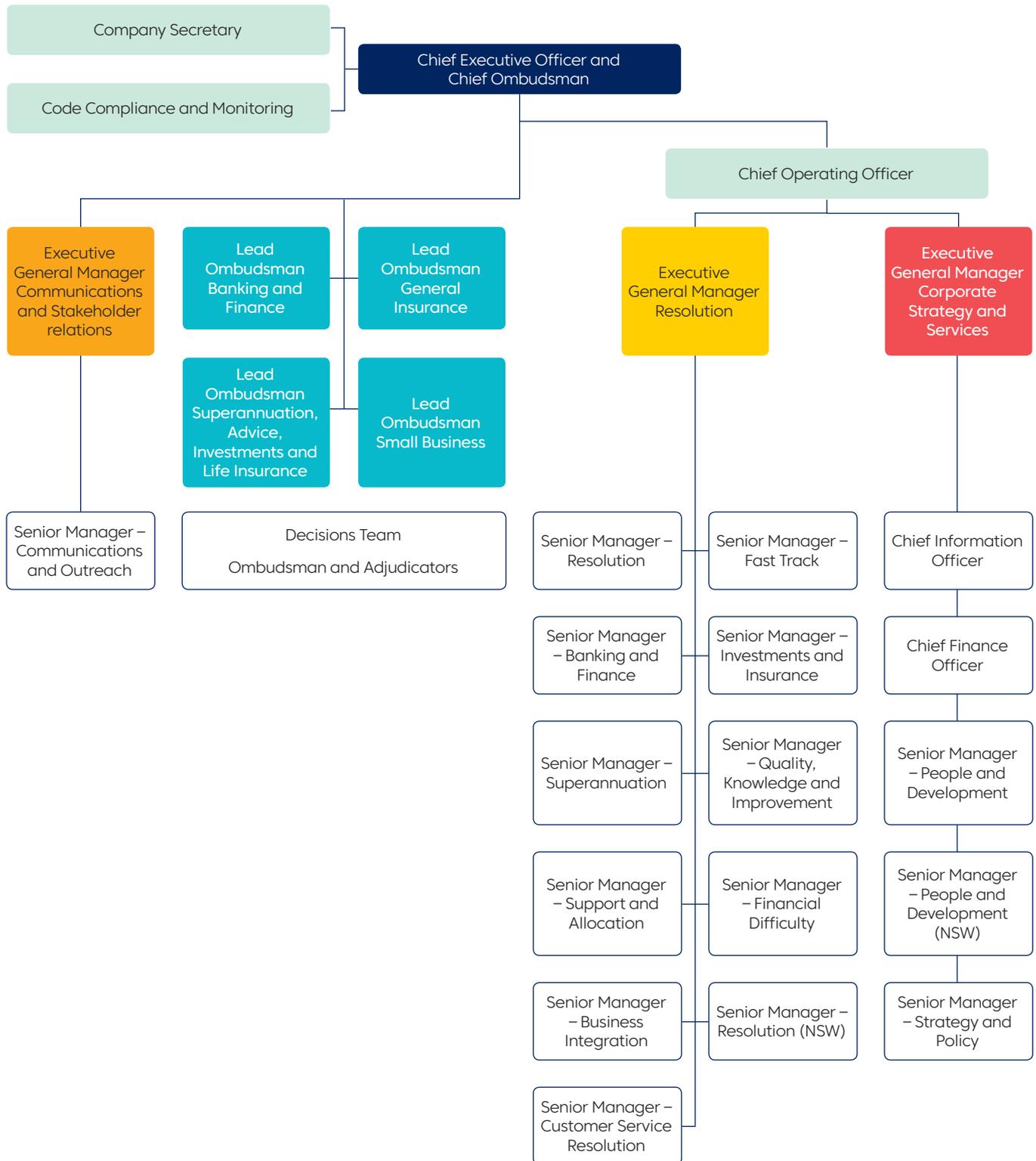
From 1 November 2018 to 30 June 2019, AFCA contacted consumers and small businesses that we identified as being potentially eligible, to confirm their contact details and get permission to pass these on to the government. The Commonwealth Government then contacted them with information about the payment scheme.

People and culture



Organisational structure

As at 30 June 2019



Leaders

AFCA is led by an independent Chief Executive Officer and Chief Ombudsman and supported by a Senior Leadership Group.

David Locke was appointed as the inaugural Chief Executive Officer and Chief Ombudsman of AFCA on 15 June 2018.

On 30 July 2019, David announced that Dr June Smith had been appointed as the inaugural Deputy Chief Ombudsman. Dr Smith was promoted from the role of Lead Ombudsman – Superannuation, Advice, Investments and Life Insurance.

Since 1 November 2018, AFCA has created four new leadership positions, in addition to the Deputy role.

On the 7 February 2019, Geoff Browne was appointed as the inaugural Lead Ombudsman – Small Business.

On 2 May 2019, Kathy Bowlen was appointed as the inaugural Executive General Manager – Communications and Stakeholder Relations.

On 19 August 2019, Hazel Thurlow was appointed as the inaugural Executive General Manager – People and Culture.

Evelyn Halls was appointed to the existing position of Lead Ombudsman – Banking and Finance on 30 July 2019. Evelyn was promoted from the role of Ombudsman – Decisions. The appointment of

Evelyn to Lead Ombudsman was to replace Philip Field who resigned from AFCA on 12 July 2019.

On 21 October 2019, Rob Guest was appointed Executive General Manager – Customer Service and Resolution.

AFCA Senior Leadership Group as at 30 June 2019

- **David Locke**, Chief Executive Officer and Chief Ombudsman
- **John Stringer**, Chief Operating Officer
- **Geoff Browne**, Lead Ombudsman – Small Business
- **Philip Field**, Lead Ombudsman – Banking and Finance
- **John Price**, Lead Ombudsman – General Insurance
- **Dr June Smith**, Lead Ombudsman – Superannuation, Advice, Investments and Life Insurance
- **Kathy Bowlen**, Executive General Manager – Communications and Stakeholder Relations
- **Diana Ennis**, Executive General Manager – Resolution
- **Michael Ridgway**, Executive General Manager – Corporate Strategy and Services

Decision makers as at 30 June 2019

- Geoff Browne, Lead Ombudsman
- Philip Field, Lead Ombudsman
- John Price, Lead Ombudsman
- Dr June Smith, Lead Ombudsman
- Jane Abbott, Ombudsman
- Michael Arnold, Ombudsman
- Geoffrey Bant, Ombudsman
- David Coorey, Ombudsman
- Evelyn Halls, Ombudsman
- Anne Maree Howley, Ombudsman
- Chris Lamos, Ombudsman
- Alison Maynard, Ombudsman
- Pam McAlister, Ombudsman
- Christine McCarthy, Ombudsman
- Helen Moye, Ombudsman
- Donald O'Halloran, Ombudsman
- Jacqueline Pirone, Ombudsman
- Shail Singh, Ombudsman
- Brenda Staggs, Ombudsman
- Ruth Talalla, Ombudsman
- Andrew Weinmann, Ombudsman
- Michael Brett Young, Ombudsman
- Brydie Cook, Adjudicator
- Qasim Gilani, Adjudicator
- Terri Gladwell, Adjudicator
- Mark McCourt, Adjudicator
- Wendi Nisbet, Adjudicator
- Wes Pan, Adjudicator
- Christopher Siemers, Adjudicator
- Mervyn Silverstein, Adjudicator
- Neva Skilton, Adjudicator
- Jacqui Thompson, Adjudicator
- Teresa Willemsen, Adjudicator

Our people

Since we opened our doors on 1 November 2018, AFCA has grown at a rapid pace.

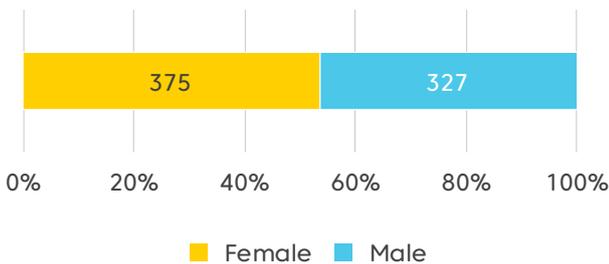
AFCA inherited 521 staff from the predecessor schemes, and as at 30 June 2019 we had grown to 706 staff. This represents a 36% growth in staff numbers in eight months.

In the eight months we hired 255 new staff members, had 101 staff move positions internally and 70 staff leave the business.

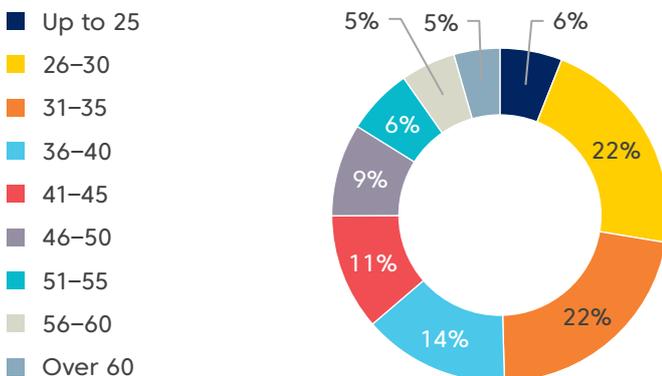
We have worked hard to attract staff who embody our culture of being fair, independent, transparent, accountable, honest, respectful, proactive and customer-focused.

We have offices in both Sydney and Melbourne and have flexible working arrangements to allow staff to work from home.

Gender



Age



706 staff in offices in Melbourne and Sydney

255 new staff hired

0.4% of staff identified as Indigenous

2.2% of staff identified as having a disability

33% of staff were born overseas

21% of staff speak a language other than English as their first language

Diversity and inclusion

AFCA is committed to being a safe, inclusive and supportive workplace.

We promote an environment where the cultures, backgrounds, and experiences of our employees are recognised and valued.

To us, not only is it the right thing to do, but it also makes smart business sense as it means we will continue to attract and retain intelligent and passionate people from the widest possible pool of talent.

We are proud that 73% of our Board members and 53% of our workforce are women.

We are a young workforce, with 64% of our staff being under the age of 40; however, we do have representation across all age groups.

AFCA is equally proud that a third of our workforce was born overseas. We still have work to do to attract Indigenous people to our workforce, with only 0.4% as self-identifying as Aboriginal or Torres Strait Islander. We also recognise that we need to work harder to attract people with a disability to work for AFCA with only 2.2% of staff self-identifying as having a disability. We will be reviewing our Diversity and Inclusion Strategy, building on our Reconciliation Action Plan and Ally network – to have a holistic approach to diversity and inclusion.

Ally network

The AFCA Ally network was established during Pride Month in June 2019.

The network has been tasked with ensuring AFCA is a safe working environment that celebrates and supports LGBTQIA+ employees and their allies. The committee hosts events, helps ensure AFCA's policies and practices are best practice, and works towards promoting our organisation within the LGBTQIA+ communities of Australia.

Membership is open to all AFCA employees. We currently have 51 members of the Ally network and hope to grow the network over the coming year.



Training

All staff receive extensive training to make sure they can provide the best possible service to our customers.

In January 2019 we introduced AFCA Academy, a one-week course that all new recruits complete as soon as they commence at AFCA. This immersive and interactive training helps new staff get up to speed as quickly as possible. We ran 17 AFCA Academy courses in 2018–19, with 146 participants.

Training doesn't stop at AFCA Academy for our staff, we also have a rigorous training schedule with a focus on customer service, technical expertise and building a culture of fairness.

In 2018–19, AFCA ran 61 face-to-face professional development programs during the period, and staff undertook 4,935 online training sessions.

Training included topics such as mediation, investigations, family violence and ethics.

We also had a special focus on helpfulness, which is one of the key pillars that underpin our work. AFCA aspires to be known for being helpful in all our interactions with customers.

We held eight Helpfulness Workshops, which were attended by 168 staff and covered topics such as what helpfulness looks like at AFCA, helpfulness implementation, future possibilities and any barriers to success.

The following list outlines learning and development programs that AFCA staff participated in over the financial year.

- AFCA Academy
- AFCA Conciliation Process
- AFCA Investigations Workshop
- AFCA process
- AFCA Who We Are and What We Do
- Agenda Setting
- Annual General Insurance Review
- Annual Life Insurance Law Review
- Aspiring Managers
- Aspiring Managers Program Participant Information Session
- Banking and Finance CPD Workshop
- Banking and Finance Baseline Workshop
- Behavioural Interviewing Skills
- Business Development conversations – being purposeful without being pushy
- Case and Ops Support Learning Bites
- Contract Law Fundamentals – Formation and construction of terms
- Current Costs Judgments in the Trusts, Equity and Probate List
- Delivering a Verbal Preliminary View Workshop
- E is for Etiquette and Ethics
- EDR – key process steps and case actions
- Effective legal research for the Modern Lawyer
- Emotional Intelligence what is it and how it can help you in your practice
- End of Year – Performance Review Training For Managers
- End of Year – Performance Review Training for Staff
- Ethics and Best Practice
- Ethics and Decision Making
- Ethics, technology and social media
- Exercising statutory powers for superannuation complaints
- Family Violence Workshop
- Fast Track Approach Bite
- Foundations of Management
- Foundations of Management Manager Information Session
- Foundations of Management Participant Information Session
- General Insurance CPD Workshop
- Helpfulness Workshop
- How to Manage Conflict and Confrontation in your Practice

- HSR OHS Initial Training
- Interpersonal Effectiveness
- Introduction to Plain English Expression
- Investments and Advice CPD Workshop
- Keeping Your Cool
- Latte and Learn
- Leading Managers
- Management Development Program Overview
- Managing Strategic Conversations
- Mediation Skills Debrief
- Mediation Skills Workshop
- Mental Health Awareness
- Mental Health Workshop
- New Manager Induction – Leave
- Probation Feedback Workshop
- Probation Support Workshop
- Process with Purpose
- Provide Cardiopulmonary Resuscitation (CPR)
- RG 146 Superannuation Workshop
- Superannuation – Fast Track General Insurance
- Superannuation – IRG
- Superannuation – Rules
- Superannuation Half-Day Conference
- Systemic Issues
- Think Feel Act: Using empathy to address difficult behaviours

Corporate information



AFCA Board

AFCA is 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.

The Board exercises its powers with a focus on ensuring the independence, integrity and fairness of AFCA's decision-making process is maintained. The Board also ensures that AFCA is appropriately resourced to deliver our services in a timely, efficient and effective manner.

The Board is responsible for appointing an independent Chief Ombudsman and CEO, who is delegated authority for the day-to-day management of AFCA by the Board.

The Board also appoints ombudsmen, adjudicators and panel members who make decisions on complaints dealt with by AFCA.

In 2018–19, the Board met eight times, alternating its meetings between Melbourne and Sydney.

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.

We consider that the Australian Stock Exchange Corporate Governance Principles and Recommendations, 4th edition, sets the benchmark for a high standard of corporate governance in Australia.

This section explains how we apply these principles and recommendations, issued by the ASX Corporate Governance Council, to our operations.

Principle 1: Lay solid foundations for management and oversight

Functions reserved by the Board and those delegated to management

Since the inception of the company, the AFCA Board has adopted a Charter that governs its operations and clearly delineates the responsibilities of the Board and senior management. The role of the Board is to monitor our performance, provide direction to the Chief Ombudsman and CEO on policy matters, set the budget, and review from time to time the Terms of Reference, including our jurisdictional limits.

The Board does not involve itself in the detail of disputes lodged with us.

The Board has three standing committees to assist it in its role – the Audit and Risk Committee, the Information Technology and Digital Transformation Committee and the Nominations and Remuneration Committee.

Appointment of Directors

The Nominations and Remuneration Committee Charter sets out the process to be followed by the Board when appointing or reappointing Directors and other Board appointees.

Written terms of appointment

Written agreements set out the terms of each appointment of our Board Directors and senior executives.

Direct accountability of Company Secretary to Board for proper functioning of the Board

As set out in the Board Charter, our Company Secretary is appointed by, and accountable to, the Board and may advise the Chair, the Board, its committees and individual Directors on matters of governance process.

Diversity policy

AFCA is committed to ensuring the integration of the principles of equal opportunity for all staff. Our commitment to diversity in the workplace is set out in our Diversity Inclusion Policy and Procedure and regular diversity reporting.

Evaluation of performance of AFCA Board

The Nominations and Remuneration Committee of the Board ensures a robust system of performance evaluation is in place for Board appointees and the Board itself.

An external performance evaluation has been arranged for late 2019, and is scheduled to be conducted thereafter every three years.

Evaluation of performance of AFCA senior management

Since we began operating in 2018, all employees, including senior managers, have been subject to a performance evaluation process. The line manager of an employee conducts the performance evaluation, with the Chief Ombudsman and CEO responsible for the performance evaluation of the senior managers reporting to him. The Chair of the Board conducts the performance evaluation of the Chief Ombudsman and CEO.

Principle 2: Structure the Board be effective and add value

AFCA Board

Independent Chair

- The Hon Helen Coonan (Chair) – BA, LLB

Consumer Directors

- Carmel Franklin – BEd, Dip (Financial counselling)
- Elissa Freeman – BA, GAICD
- Catriona Lowe – LLB
- Erin Turner – BA, MPP
- Alan Wein – LLB, PRI-Med-NMAS

Industry Directors

- Robert Belleville – MBA
- Jennifer Darbyshire – BA, LLB (Hons), LLM, GAICD
- Andrew Fairley – AM, LLB, FAICD
- Claire Mackay – BCom, LLB, LLM, GAICD
- Johanna Turner – BA, LLB, GAICD

Company Secretary

- Nicolas Crowhurst – BA, LLB (Hons), FGIA, FCSA, GAICD

Independent Chair

The Hon Helen Coonan (Chair) – BA, LLB

Helen Coonan was appointed as the inaugural Independent Chair by the Minister for Revenue and Financial Services on 4 May 2018.

Helen is a former Australian Government cabinet minister for communications, minister for revenue and assistant treasurer. She is a commercial lawyer and trained mediator with a track record of leading stakeholders through major economic reforms and handling complex policy settings.

Helen's current appointments include Chair of the Minerals Council of Australia, Place Management NSW and Crown Resorts Foundation Limited, as well as Co-Chair of GRA Cosway Pty Limited. She is a non-Executive Director of both Crown Resorts Limited and Snowy Hydro Limited. She also chairs boutique fund manager Supervised Investments Australia Limited, the Allegis Partners' Board of Advice, and is a member of the Advisory Council of JP Morgan. Previously, Helen was a member of the Board of Advice for Aon Australia.

Consumer Directors

Carmel Franklin – BEd, Dip (Financial Counselling)

Carmel Franklin was appointed to the inaugural Board on 4 May 2018. She is a former consumer director of the Financial Ombudsman Service Limited.

Carmel has been the CEO of Care Financial Counselling and the Consumer Law Centre of the ACT for over 10 years.

She has been involved with consumer issues for a number of years, including Chair of Financial Counselling Australia, as a board member on the ACT Gambling and Racing Commission and through her previous roles on the boards of the National Information Centre on Retirement Investments and Canberra Community Law. In addition, she is a former member of the ASIC Consumer Advisory Panel, as well as the FOS Consumer Liaison Group.

Elissa Freeman – BA, GAICD

Elissa Freeman was appointed to the inaugural Board on 4 May 2018. She is a former consumer 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.

Elissa was previously chair of the Financial Rights Legal Centre and a member of ASIC's Consumer Advisory Panel. She is currently a Director of the Financial Adviser Standards and Ethics Authority.

Catriona Lowe – LLB

Catriona Lowe was appointed to the inaugural Board on 4 May 2018. She is a former consumer director of the Financial Ombudsman Service Limited.

Catriona is a member of the Boards of the Telecommunications Industry Ombudsman and Legal Practitioners' Liability Committee. She is also a Director of the Financial Adviser Standards and Ethics Authority, Way Forward Debt Solutions Limited and Chair of the ACCC Consumer Consultative Committee.

She is formerly the chair and treasurer of the Consumers' Federation of Australia and co-chief executive officer of the Consumer Action Law Centre. Catriona has also served as a member of the Board of the National Information Centre on Retirement Investment, a member of ASIC's External Advisory Panel, a member of the National Australia Bank Social Responsibility Advisory Council, a member of the Insurance Council of Australia Consumer Reference Group, and a member of the Motor Car Traders' Guarantee Fund Claims Committee.

Erin Turner – BA, MPP

Erin Turner was appointed a consumer Director by the Minister for Revenue and Financial Services on 4 May 2018.

Erin is the Director of Campaigns and Communications at CHOICE and a member of the Management Committee of the Financial Rights Legal Centre. She represents consumers on the ACCC Consumer Consultative Committee, and has previously represented consumer interests on the ACMA Consumer Consultative Forum and the ASIC Consumer Advisory panel.

She regularly appears in the media to advocate for consumers using financial services, and to educate them on their rights.

Alan Wein – LLB, PRI-Med-NMAS

Alan Wein was appointed a consumer Director by the Minister for Revenue and Financial Services on 4 May 2018.

Alan is a skilled lawyer, experienced mediator and advocate for small- and medium-sized businesses. He was an adjunct professor at RMIT's Business Management School and was a director of House Franchised Concept, House Homewares.

He was appointed the inaugural chair of the Victorian Government Small Business Advisory Council and was the business delegate on the Victorian Government Infrastructure Planning Council.

Alan is a member of the Resolution Institute (Office of Franchise Mediation Adviser – OFMA) and the Law Institute of Victoria. He is also a senior panel mediator on the Victorian Office of the Small Business Commissioner (OSBC).

Alan conducted the Commonwealth Government's Review of the Franchising Code of Conduct and Regulatory Framework in 2013, and in 2015 Alan was again appointed by the Commonwealth Government to conduct a review of the Regulatory Framework in the Horticulture Code of Conduct. Then in 2016, Alan was involved in advising the Commonwealth Government in Unfair Contracts legislation.

Industry Directors

Robert Belleville – MBA

Robert Belleville was appointed to the inaugural Board on 4 May 2018. He is a former industry director of the Financial Ombudsman Service Limited.

Robert is a member of the Insurance Manufacturers of Australia (IMA) Board, Chair of the IMA Board Risk committee and a member of its Audit and Remuneration Committees. He is also the Chair of the Insurance Council of Australia's Consumer Liaison Forum.

He was employed by AAMI for more than 37 years, culminating in his appointment as Chief Executive in 2002. Soon afterwards, he was appointed to the position of CEO of Promina's Direct Division, adding APIA, Shannons and Just Car Insurance to his existing portfolio of responsibilities.

Following the successful offer by Suncorp to take over Promina, Robert was appointed Group Executive, Personal Lines, which added GIO and Suncorp portfolios to his oversight. Despite retiring in December 2008, Robert stayed on with Suncorp as a part-time consultant until September 2009.

He is a Fellow of the Customer Service Institute of Australia (FCSIA), and in 2018 was awarded the ANZIIF Lifetime Achievement Award for Services to the General Insurance Industry.

Jennifer Darbyshire – BA, LLB (Hons), LLM, GAICD

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 on two separate occasions. Jennifer is currently National Australia Bank's EGM Conduct & Regulatory Risk. Previous roles at NAB include general counsel governance and general counsel corporate (including eight months as acting group general counsel).

Jennifer has previously worked in private legal practice (including King & Wood Mallesons in Melbourne and Linklaters in London).

Jennifer was the chair of Heide Museum of Modern Art until January 2016 (and a Director since 2006). Previous directorships include St Vincent's and Mercy Private Hospital (2006–2011) and St Vincent's Advisory Council Melbourne (2011–12).

Andrew Fairley – AM, LLB, FAICD

Andrew Fairley AM was appointed an industry Director by the Minister for Revenue and Financial Services on 4 May 2018.

Andrew is the independent Chair of Equisuper – a \$16b industry superfund. He is an equity lawyer consulting to Hall & Wilcox with over 35 years' experience in superannuation. He is also a Director of Qualitas Securities Pty Ltd and Chair of Golden Age Capital Pty Ltd. He was named one of Australia's leading superannuation lawyers by the *Australian Financial Review* from 2013–18 (inclusive). Andrew founded the Law Council of Australia Superannuation Committee and served as its chair for 10 years.

He is very involved in philanthropy and chairs the Sir Andrew Fairley Foundation and the Foundation for Alcohol Research & Education. Andrew is Deputy Chair of the Mornington Peninsula Foundation. He is also former chair of Parks Victoria, and former deputy chair of Tourism Australia.

Claire Mackay – BCom, LLB, 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 ASIC's External Advisory Panel, the FPA Professional Standards and Conduct Committee, the Professional Planner Advisory Board, the RMIT University School of Accounting Program Advisory Committee and the Finance, Audit and Compliance Committee for Surf Life Saving NSW.

As the owner of an independent financial services business, Claire regularly engages with other business owners and smaller financial firm operators in industry forums and conferences.

Johanna Turner – BA, LLB, GAICD

Johanna was appointed to the inaugural Board on 4 May 2018. She is a former industry director of the Financial Ombudsman Service Limited.

Johanna has gained extensive executive experience in the financial services industry over the past 25 years, working in domestic and international banks, exchanges and regulatory bodies. She has expertise in risk management, compliance, regulation, policy and corporate governance. As a managing director of Citibank, Johanna held the positions of chief risk officer and chief country compliance officer. She has also held senior roles at Macquarie Bank, the Australian Stock Exchange, the Sydney Futures Exchange and ASIC.

Johanna is an independent compliance committee member for Schroders Investment Management Australia Limited, Blackrock Investment Management (Australia) Limited and is Chair of the Perpetual Investment Management Limited Compliance Committee. She is also a member of the NSW Government Council for Women's Economic Opportunity and Chair of the AFMA Professionalism Committee. Johanna is also a panel member on the ASIC Financial Services and Credit Panel.

Company Secretary

Nicolas Crowhurst – BA, LLB (Hons), FGIA FCSA, GAICD

Nicolas Crowhurst was appointed Company Secretary on 17 July 2017.

Nicolas is the Managing Director of a small strategic advisory firm, The Collaboratus Group, which focuses on serving the not-for-profit and charities sector. He also teaches short courses and certificates for the Governance Institute of Australia and is a Director of Financial Services Compensation Scheme Pty Ltd.

Nicolas qualified as a barrister in the United Kingdom in 2000. He worked in-house at UBS Warburg in London and then for Minter Ellison Lawyers in Melbourne, prior to entering the alternate dispute resolution industry in 2005. Nicolas has previously served as legal counsel to the Financial Industry Complaints Service Limited and was both legal counsel, then company secretary of the Financial Ombudsman Service Limited.

Disclosures regarding Nominations and Remuneration Committee

The Nominations and Remuneration Committee comprises the Chair of the Board, two industry Directors and two consumer Directors. This composition satisfies the constitutional requirements for Board committees to maintain equal membership between industry and consumer Directors.

The following table sets out the meetings and attendances for the Nominations and Remuneration Committee in 2018–19:

Nominations and Remuneration Committee

	Actual attendance	Eligible to attend
H Coonan	4	4
J Darbyshire	4	4
E Freeman	1	1
C Mackay	3	4
E Turner	3	3
A Wein	4	4

Skills matrix of the AFCA Board of Directors

The Board Charter states that examples of the core technical competencies that should be found across the Board include:

- accounting and finance (directors who have expertise in financial accounting)
- business judgment (directors who have a record of making good business decisions)
- governance (directors who understand and keep abreast of good governance practices)
- knowledge of consumer issues and needs (directors with appropriate and relevant consumer movement knowledge and experience)
- industry knowledge (directors with appropriate and relevant industry-specific knowledge and experience)

- knowledge of internal and external dispute resolution
- human resource management (directors who have experience and interests in human resource management and staff welfare).

To assist the Nominations and Remuneration Committee, we also have a skills matrix that lists the core competencies of each Director, as well as other organisational competencies, allowing easy identification of the strengths and weaknesses of the Board as a whole.

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 and 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 required to represent the interests of industry or consumers, each understands their legal obligation as a Director to put the best interests of AFCA before those of their own 'constituents'.

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 role as Directors effectively, and a suitable budget has been allowed for this to occur.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Code of Conduct

The standards of behaviour expected of our Directors and employees are set out in the Board Charter, our Code of Conduct, and our values: Fair and Independent, Transparent and Accountable, Honest and Respectful, and Proactive and Customer Focused.

Principle 4: Safeguard the integrity of corporate reports

Audit and Risk Committee

The functions of an audit committee are carried out by the Audit and Risk Committee. Since its inception in 2018, the committee has had a formal Charter governing its area of responsibility.

The following table sets out the meetings and attendances for the Audit and Risk Committee in 2018–19:

Audit and Risk Committee

	Actual attendance	Eligible to attend
R Belleville	4	4
A Fairley	4	4
C Franklin	4	4
E Freeman	3	4
C Lowe	4	4
E Turner	4	4
J Turner	7	8

CEO and CFO declarations

Prior to the Board approving the annual financial reports contained within our General Purpose Financial Report, the Board receives from the Chief Ombudsman and CEO and Chief Financial Officer a declaration that, in their opinion, the financial records have been properly maintained and that the financial statements comply with appropriate accounting standards.

These declarations also state that the financial statements give a true and fair view of our 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.

Attendance of the external auditor at Annual General Meeting

The external auditor receives an invitation to attend each Annual General Meeting, but attendance has not, to date, been required by the membership.

Principle 5: Make timely and balanced disclosure

Disclosure Policy

This principle applies to companies that are subject to the ASX Listing Rule disclosure requirements and, as such, has no direct relevance to AFCA. However, we have various policies and procedures that, in combination, cover many of the same areas as the recommended Disclosure Policy and we are committed to open and transparent communication with our stakeholders.

Principle 6: Respect the rights of security holders

As a public company limited by guarantee, we do not have shareholders. As a result, this principle has no direct relevance to us. However, we are committed to respecting the rights of our stakeholders, particularly the financial firms that are members of the scheme and consumers who use the service.

Information about AFCA and its governance

Information about us can be found on our website (afca.org.au), by email (info@afca.org.au), or by telephone 1800 367 287, or free call (1800 AFCA AUS) or 1300 56 55 62 for members.

Meetings of stakeholders

The Annual General Meeting is held and run in accordance with the Corporations Act and our Constitution. Our Stakeholder Engagement Strategy encourages participation at general stakeholder meetings.

Principle 7: Recognise and manage risk

Oversight of risk

While ultimate responsibility for risk oversight and risk management rests with the full Board, the Audit and Risk Committee has operational oversight of these activities and the Senior Leadership Group has day-to-day operational responsibility for risk oversight and management.

A risk management report is presented to the Audit and Risk Committee at the end of each quarter, with significant issues being advised as necessary.

Review of risk management framework

On 29 August 2019, Ernst and Young conducted a risk workshop with the Directors to consider AFCA's risk appetite to ensure that it is fit for purpose. In response, an enhanced risk framework is currently being developed.

Internal audit

During 2018–19, our internal audit function (outsourced to Pitcher Partners) has supported the transition of the organisation to the Australian Financial Complaints Authority and reviewed our Investments Policy, the Fraud and Corruption Control Plan, the Systemic Issues and Serious Contravention function and revisited the implementation of recommendations arising out of prior internal audits.

Material exposure

At the time of publication, we have no known material exposure to any economic, environmental or social sustainability risks.

Principle 8: Remunerate fairly and responsibly

Remuneration committee

The main functions of a remuneration committee are performed by the Nominations and Remuneration Committee.

The Board sets its remuneration in accordance with clause 4.9 of our Constitution and on advice from the Nominations and Remuneration Committee. The Board also sets the remuneration of the Chief Ombudsman and CEO.

Responsibility for the company's remuneration, recruitment, retention and termination policies for all other employees has been delegated to the Chief Ombudsman and CEO, but significant changes to these policies are ratified by the Board.

The remaining aspects of this principle are applicable to companies that are subject to the ASX Listing Rules, and as such have no relevance to us.

Remuneration of non-Executive Directors and executive directors

All our 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.

Independent Assessor Report

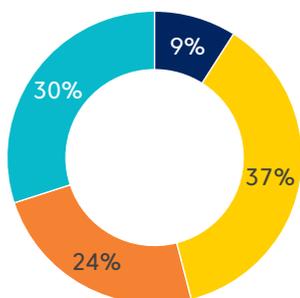
Between 1 November 2018 and 30 June 2019

I officially commenced as AFCA’s Independent Assessor on 1 November 2018.

Between 1 November 2018 and 30 June 2019, the Office of the Independent Assessor received 54 complaints about AFCA’s and its predecessor schemes’ handling of complaints. The office has accepted complaints from individuals and small businesses and in relation to complaints handled by AFCA, FOS and the CIO. While I also accept complaints from financial firms, none were received during this period.

Complaints lodged by scheme

- CIO
- FOS
- FOS/AFCA
- AFCA



FOS/AFCA indicates the complaint was lodged with FOS and finalised with AFCA.

Complaints lodged by product line

Product line	Total
General insurance	17
Credit	13
Investments	10
Payment systems	3
Deposit taking	2
Life insurance	2
Superannuation	2
Consumer lease	1
Lenders mortgage insurance	1
Lo doc	1
Motor vehicle finance	1
Split loan	1

In addition to the 54 new complaints received during the period, almost 40 unassessed FOS complaints were handed over from the former Independent Assessor, FOS on 1 November 2018.

Nature of complaints received

Complaints received alleged a wide range of service-related issues, including:

- process or staff was biased
- delays
- failure to take account of relevant information
- breach of procedural fairness
- discourtesy.

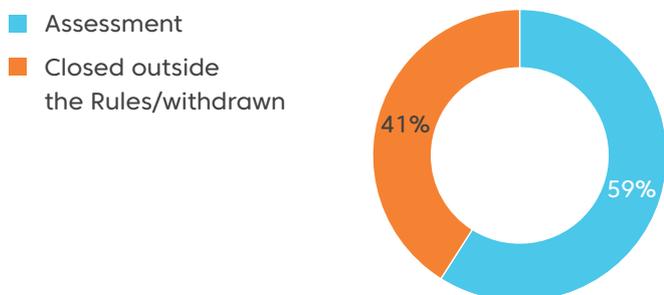
A proportion of complaints were solely about the scheme’s findings, decisions or determination about a complaint. Others included similar merit-based complaints.

Under clauses 8 and 9 of the Independent Assessor’s Terms of Reference, I cannot consider the merits of a decision or finding by a scheme. Therefore, complaints that were solely about the decisions or findings were ruled outside my jurisdiction to consider.

Findings

A total of 63 complaints were closed during the period 1 November 2018 to 30 June 2019, 37 of which were closed on the issue of an assessment. The others were closed because they were specifically excluded from my jurisdiction by the Independent Assessor’s Terms of Reference.

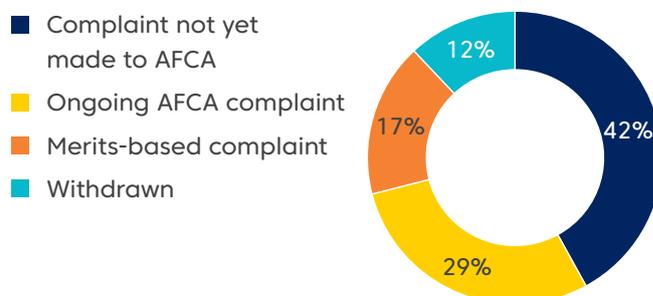
Proportion of complaints closed as a result of assessment or Outside Terms of Reference ruling



Complaints were outside my jurisdiction if they were solely about the merits of a scheme decision or finding, or the complaint itself or a service complaint to AFCA had not been finalised, with an opportunity to respond to the complaint. Three complaints were withdrawn due to non-response by the complainant or at the complainant's request.

Complaints that were outside the Independent Assessor's Terms of Reference because the original complaint was ongoing, or a service complaint to AFCA had not been made, or was ongoing, may be re-submitted if the complainant remained dissatisfied with the service received once the other processes were completed.

Outside Terms of Reference rulings



Just under half of all assessments found at least some element of a complaint was substantiated. Some examples of complaints that were substantiated are:

- timeframes not met (overall, response to calls or emails)
- poor or confusing communication
- failure to address complaints or 'key issues' as submitted
- failure to take account of complainant's special needs.

Some of the complaints that were not substantiated were the result of consumers misunderstanding AFCA's role and the distinction between an external dispute resolution scheme and a consumer advocate or regulatory authority. Complainants frequently assume that AFCA must be biased towards financial firms because it is funded from membership and complaint fees. They do not understand membership of AFCA is not optional, or that the role of ASIC is in enforcing membership requirements.

Recommendations

When a complaint is substantiated, I may make a recommendation to AFCA's Chief Ombudsman that AFCA should offer an apology, should pay compensation for any distress or inconvenience caused by the poor service (non-financial loss) or take other action. During the period to 30 June 2019, I recommended approximately 18 apologies be made and a total of \$4,350 non-financial compensation be paid. AFCA accepted and actioned all recommendations in full.

In addition to the recommendations made in response to individual complaints, I have also made business-improvement recommendations to AFCA under clause 3 of my Terms of Reference, which enables me to make recommendations in response to issues arising from service complaints. Business-improvement recommendations have been made regarding AFCA's privacy procedures, records management, standard wording and information provided to applicants.

Reporting

During the 2018–19 period, I reported regularly to AFCA's Board and attended a number of Board meetings. I also liaised with, reported to and/or met with representatives from AFCA's Quality, Knowledge and Improvement Team, and ASIC.

In conclusion

In my first eight months in the role of AFCA's Independent Assessor, I focused on the efficient completion of assessments in order to reduce the backlog from the previous scheme and the wait for new complainants.

At the centre of all assessments is consideration and application of AFCA's values. These are fairness and independence, transparency and accountability, honesty and respectfulness, being proactive with a customer focus.

I would like to thank all the individual complainants for taking the time to bring their complaints to me, as well as the FOS and AFCA officers and Sam Savva who have assisted me in assessing those complaints

Melissa Dwyer

The Independent Assessor of the Australian Financial Complaints Authority

Financial statements

Between 1 November 2018 and 30 June 2019

AFCA is a not-for-profit, non-government, industry-funded ombudsman service.

We are funded by membership levies, complaint fees and user charges received from members.

Most Australian financial firms must be members of AFCA by law, and are required to pay a membership levy and other complaint-related charges to contribute to our operating costs.

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

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

In 2018–19, AFCA had a deficit of \$3.987m, \$3.716m of which was due to the cost of handling CIO complaints transferred to AFCA where the CIO had already invoiced members for these services.

AFCA received \$5.4m of assets and cash from the CIO to cover these costs, as well as contribute to covering the cost of resolving the remaining CIO legacy complaints still open at 30 June 2019.

Comparative figures for 2017–18 relate to operating activities from 1 May 2018 to 30 June 2018 when AFCA became the operating entity of the external dispute resolution service previously provided by the FOS. For the period 1 July 2017 to 30 April 2018, FOS recorded a surplus of \$15.513m – which included membership income relating to the period 1 May 2018 to 30 June 2018 that AFCA could not recognise as revenue but received the funds.

Following is an overview of our revenue and expenses for 2018–19. For detailed financial statements, please see the AFCA General Purpose Financial Report on our website.

Statement of profit or loss for the year ended 30 June 2019

	Year ending 30 June 2019 \$	Period from 17 July 2017 to 30 June 2018 \$
Revenue	80,084,915	7,731,188
Employee benefits expense	(65,463,573)	(7,242,286)
Office costs	(877,149)	(135,953)
Communication and stakeholder relations expenses	(2,719,159)	(221,736)
Occupancy expenses	(4,968,344)	(619,734)
Board expenses	(683,100)	(147,759)
Impairment losses on financial assets	(1,546,028)	(218,992)
Insurance expenses	(126,215)	(15,506)
Professional assistance expenses	(2,100,075)	(834,764)
Depreciation and amortisation expenses	(1,306,823)	(196,107)
Free decisions provided to members	(239,882)	(4,002)
Technology expenses	(3,941,688)	(574,576)
Other expenses	(99,863)	(16,472)
Deficit for the period	(3,986,984)	(2,496,699)

Code compliance and monitoring

Between 1 November 2018 and 30 June 2019

The Code Compliance and Monitoring Team (Code Team) is a separately operated and funded business unit of AFCA. It works on behalf of independent committees that monitor compliance with industry codes of practice in the Australian financial services industry. Its services are funded by the industry associations responsible for these codes of practice. It provides code compliance monitoring, investigation and secretariat services to five committees and helps financial firms improve their services and achieve standards customers can trust.

Codes of practice

Codes of practice set standards of good industry practice for financial firms when dealing with people who are, or who may become, individual or small business customers in areas relating to service provision, standards of professional conduct, practice standards and ethical behaviour.

The Code Team administers and monitors compliance with five industry codes of practice:

1. Banking Code of Practice
2. General Insurance Code of Practice
3. Customer Owned Banking Code of Practice
4. Insurance Brokers Code of Practice
5. Life Insurance Code of Practice

Through its work supporting the committees, as a separate business unit of AFCA, one of its aims is to help financial firms comply with their code obligations, thereby reducing the number of customer complaints through improved service delivery.

Code compliance committees

Monitoring of the five industry codes is conducted by separate independent code compliance committees, each of which consists of an independent Chair, a consumer representative and an industry representative. The code compliance committees are independent of the industries that are responsible for each code, and have the power to identify and address breaches of code obligations.

Sharing experience with stakeholders

In 2018–19, the Code Team continued to engage with stakeholders to help improve industry practice, including by:

- providing submissions to code reviews and other initiatives and reforms in the industry
- sharing outcomes of code committees' inquiries
- developing training for AFCA staff and consumer representatives
- participating or presenting at industry forums and conferences.

Banking Code Compliance Committee

The Banking Code Compliance Committee (BCCC) maintained a strong code monitoring program while also preparing for the transition to the 2019 Banking Code of Practice, which came into effect on 1 July 2019. Transition work included setting new operating procedures, providing guidance to banks and developing a revised approach to data collection.

The BCCC published a report of its inquiry into banks assisting customers in financial difficulty, and made 14 recommendations for improved practice. These included that banks should promote a culture reflecting the values of non-judgment, flexibility and compassion to support tailored, customer-centric decisions.

Mystery shopping again identified that banks are not complying with their cancellation of direct debits obligations. Banks have been warned that failure to improve compliance rates may result in sanctions being applied.

Further information about the new BCCC, including news and reports, is available on its website bankingcode.org.au

Life Code Compliance Committee

The Life Code Compliance Committee (Life CCC) also completed the inaugural Annual Data Compliance Programme (ADCP), which resulted in the issuance of its first Data Report. The ADCP is the Life CCC's key compliance data gathering and analysis process, and is a considerable annual undertaking both for the Life CCC and subscribers. The resultant Data Report provided a snapshot of the life insurance industry and its compliance with the Life Insurance Code of Practice (the Code) during the 2017–18 financial year, and will also serve as a baseline to measure future Code compliance.

The Life CCC also continued to provide guidance to subscribers to help improve the quality and consistency of their compliance reporting. This involved meeting with, and talking to, subscribers about their obligations under the Code, including engaging directly with the Boards and senior executives of some subscribers.

Investigating Code breach allegation referrals and assessing self-reported breaches remained a priority for the Life CCC throughout the year. Seventeen de-identified determinations and four case studies were published to assist subscribers' understanding of compliance issues.

The Life CCC imposed its first sanction on a subscriber during this period. This is the first sanction imposed by a financial services Code Compliance Committee for a number of years. The sanction was imposed on OnePath Limited (OPL) on 21 June 2019, after its failure to satisfactorily implement corrective measures within the agreed timeframe.

Further information about the Life CCC, including news and reports, is available on its website lifeccc.org.au

Customer Owned Banking Code Compliance Committee

The Customer Owned Banking Code Compliance Committee (COBCCC) published one 'own motion inquiry' report *Compliance with direct debit cancellation obligations* disappointing during this reporting period. It first highlighted this issue in 2010, while follow-up research in 2012 and 2017 revealed that compliance had improved only slightly. Non-compliance remains an ongoing issue. This research included shadow shopping, a review of institutions' websites and a compliance questionnaire. The results show that, although there has been some further improvement, non-compliance is still unacceptably high and past recommendations have only been partially implemented.

Of the 2,046 self-reported breaches received via the Annual Compliance Statement, 30% related to non-compliance with high customer service, 26% with privacy obligations and 15% with legal obligations. The high number of Customer Owned Banking Code of Practice (the Code) subscribers self-reporting nil breaches (15%) and nil complaints (11%) is also a matter of concern.

It also increased its engagement with Code subscribers via telephone conferences and published articles on its website, including its concern regarding compliance with privacy and direct debit obligations.

The COBCCC engaged with the Customer Owned Banking Association (COBA) and the Code reviewer, Phil Khoury, as part of COBA's review of the Code.

Further information about COBCCC, including news and reports, is available on its website cobccc.org.au

Insurance Brokers Code Compliance Committee

The Insurance Brokers Code Compliance Committee (IBCCC) published two own motion inquiry reports during the reporting period. The first, released in August, was a report on the findings of the own motion inquiry into professionalism and competency in the insurance broking industry. This inquiry looked into how insurance brokers understand professionalism in the context of the Insurance Brokers Code of Practice (the Code) and how they apply this within their businesses. The report found that brokers demonstrate a commitment to professionalism in several ways, including through the development of competency frameworks and by ensuring staff are appropriately qualified, trained and monitored.

The second report, *Improving how insurance brokers handle complaints*, was published in November 2018. It detailed the findings of a follow-up inquiry into how insurance brokers manage their obligations under Service Standard 10 of the Code. The report found that there had been little improvement since the previous 2017 inquiry, and the IBCCC's previous recommendations were not widely implemented. This has prompted the IBCCC to conduct another own motion inquiry into subscribers' compliance with their internal dispute resolution obligations, the findings of which will be published in late 2019.

Self-reported breach and complaints data received via the Annual Compliance Statement showed about half (49%) of non-compliance is in the area of buying insurance, followed by non-compliance with legal obligations (24%). The high number of Code subscribers self-reporting nil breaches (57%) and nil complaints (49%) is also a matter of concern.

The IBCCC increased its engagement with Code subscribers via telephone conferences and published several reports and articles in industry magazines and websites, some of which focused on subscriber Code compliance and others that were aimed at building consumer awareness of the Code. The IBCCC's own website is under development for release in 2020.

The IBCCC engaged with the National Insurance Brokers Association (NIBA) as part of its review of the Code, and made its own submission to Federal Treasury concerning the enforceability of industry codes.

General Insurance Code Governance Committee

The General Insurance Code Governance Committee's (GICGC) monitoring program included two separate inquiries. The first inquiry was an in-depth examination of subscribers' compliance with the General Insurance Code of Practice's (the Code) important complaint handling standards. In January 2019, the GICGC outlined the outcomes of its work in the report *How insurers handle consumer complaints*, including 18 recommendations to improve subscribers' compliance with complaints-handling standards.

The GICGC commenced the second inquiry, currently in progress, to examine the adequacy of general insurers' compliance frameworks, which will be merged with a piece on culture and the spirit of the Code.

In April 2019 the GICGC published the report *General Insurance in Australia: 2017–18 and current insights*. The report presented a snapshot of trends and service standards in the general insurance industry in 2017–18, and into the first half of 2018–19, with a focus on retail general insurance products and services.

Further information about the GICGC, including news and reports, is available on its website insurancecode.org.au

Compliance investigations

An important role of all committees is to investigate alleged breaches of the codes they monitor. The Code Team, on behalf of the committees, commences investigations in response to referrals of alleged Code breaches by consumers, their representatives or AFCA, or in response to external intelligence such as ASIC media releases. The Code Team also investigates self-reported breaches by Code subscribers.

There has been a significant increase in the number of self-reported breaches since the 2018 Financial Services Royal Commission.

For example, in relation to the General Insurance Code of Practice, we note a seven-fold increase in self-reported significant breaches compared to the previous reporting period. There were 65 significant breach reports from subscribers, plus a further 26 investigations that have commenced in response to ASIC media releases and definite systemic issues identified by AFCA and referred to the GICGC.

Also, the Life CCC opened 23 investigations in response to self-reported breaches by subscribers, compared to 12 self-reported breach matters the previous year.

Previous schemes

On 1 November 2018, AFCA replaced the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT).

All outstanding disputes with FOS and CIO were transferred to AFCA to be resolved.

- Complaints with FOS were handled by AFCA under the FOS Terms of Reference.
- Complaints with CIO were handled by AFCA under the CIO Rules.

Unlike the CIO and FOS, there was no transfer of complaints between the SCT and AFCA.

The SCT continues to operate beyond AFCA's commencement to resolve existing complaints that were lodged with the SCT before 1 November 2018.

All superannuation complaints lodged after 1 November 2018 were received and dealt with by AFCA.

Under the ASIC policy applying to the CIO and FOS schemes (*Regulatory Guide 139: Approval and oversight of external dispute resolution schemes* (RG 139)), AFCA must publish information about complaints and disputes received and closed by FOS and CIO for the period of 1 July 2018 to 30 October 2018.



Financial Ombudsman Service

The Financial Ombudsman Service Australia was an ASIC approved External Dispute Resolution scheme under RG 139.

It considered complaints about:

- banking and finance
- home, contents, travel and life insurance
- insurance broking
- financial planning
- managed funds
- mortgage and finance broking
- pooled superannuation funds
- estate planning and management
- traditional trustee services.

Between 1 July 2018 and 31 October 2018, FOS received 11,230 complaints. On 1 November 2018, it transferred 7,738 open complaints to AFCA to resolve.

11,230 complaints received from 1 July 2018 to 31 October 2018

7,738 complaints open on 31 October 2018 that were transferred to AFCA

Average time to close complaints

65 days

FOS complaints closed by outcome in 2018–19

Outcome	Total	%
Assessment	302	1%
Negotiation	2,601	11%
Conciliation	571	2%
Preliminary assessment in favour of complainant	631	3%
Preliminary assessment in favour of financial firm	1,115	5%
Decision in favour of complainant	963	4%
Decision in favour of financial firm	1,974	8%
Outside Rules	11	0%
Outside Terms of Reference	3,390	14%
Discontinued	1,699	7%
Resolved by financial firm	10,228	44%
Total	23,485	100%

Includes complaints closed by both FOS and AFCA. For FOS complaints closed by AFCA only see page 29.

FOS complaints closed by age range in 2018–19

Age	Total	%
0–31	9,162	39%
31–60	7,449	32%
61–90	2,224	9%
91–180	2,668	11%
Greater than 180 days	1,982	8%
Total	23,485	100%

Includes complaints closed by both FOS and AFCA in 2018-19. For FOS complaints closed by AFCA only see page 29.

Credit and Investments Ombudsman

The Credit and Investments Ombudsman was an ASIC-approved External Dispute Resolution scheme under RG 139.

It considered complaints about:

- mortgages
- credit products
- financial planning
- managed investment
- deposit taking

Between 1 July 2018 and 31 October 2018, CIO received 2,351 complaints. On 1 November 2018, it transferred 2,490 open complaints to AFCA to resolve.

2,351 complaints received from 1 July 2018 to 31 October 2018

2,490 complaints open on 31 October 2018 that were transferred to AFCA

Average time to close complaints
194 days

CIO complaints closed by outcome in 2018–19

Outcome	Total	%
Decision for consumer	157	4%
Decision for financial services provider	523	12%
Discontinued	1,204	27%
Outside of jurisdiction	354	8%
Resolved by agreement	782	18%
Decision confirming financial service provider's offer	1,360	31%
Total	4,380	100%

Includes complaints closed by both CIO and AFCA. For CIO complaints closed by AFCA only see page 29.

CIO complaints closed by age range in 2018–19

Age	Number	%
0–31	574	13%
31–60	804	18%
61–90	565	13%
91–180	850	19%
Greater than 180 days	1,587	36%
Total	4,380	100%

Includes complaints closed by both CIO and AFCA. For CIO complaints closed by AFCA only see page 29.

Appendix 1

Product Glossary

Product	Definition
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.
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 if you had to save 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.
Foreign exchange	Cash or other claims (for example, bank deposits and bonds) on 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.
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.

Product	Definition
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.
Merchant facilities	Facility offered by financial firms to businesses to accept payment in forms other than cash (e.g. EFTPOS, credit cards etc.). 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.
Pension	<p>Account-based pension</p> <p>An account-based pension (also called an allocated pension) is one of a number of concessional tax products that investors can buy with a lump sum from a superannuation fund, or pay from a self-managed superannuation fund, to give them an income during retirement. An investment account is set up with this money from which they draw a regular income. A minimum payment must be made at least annually. It is also possible to nominate a reversionary pensioner to continue to receive income payments after the member's death.</p> <p>Lifetime pension</p> <p>A lifetime pension is a type of superannuation pension that is payable for the life of the pensioner and, in some cases, the life of a reversionary pensioner such as a spouse. Lifetime pensions are sometimes called defined benefit pensions.</p> <p>Transition to retirement pension</p> <p>A transition to retirement pension (or TRIS) is a form of account-based pension that can be paid to a superannuation fund member even if the member has not yet retired. In addition to the minimum annual pension payment (see account based pension), there is a maximum annual payment of 10% of the account balance. Unlike an account-based pension, the investment earnings of a TRIS are not eligible for concessional tax treatment, and it is not usually possible for, income payments to continue on the death of the pensioner. Instead, if the pensioner dies, the account balance must be paid as a lump sum.</p>
Personal loans	A type of loan available from banks, finance companies and other financial institutions, generally for purposes such as buying a car, boat or furniture.
Personal transaction accounts	A deposit account used by consumers for everyday transactions.
Self-managed superannuation funds	Small superannuation funds where the members are also the trustees (or directors of the corporate trustee).

Product	Definition
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.
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 rollover their account to another approved deposit fund or to a superannuation fund at any time.
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.

Issues 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.
Claim amount	A disputed insurance claim amount. For example, the financial firm has accepted the complainant's claim, but for a different amount to that which the complainant believes they are entitled.
Claim cancellation of policy	The financial firm has cancelled the insurance policy of a complainant. For example: <ul style="list-style-type: none"> • inappropriate cancellation of an insurance policy • 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. Eg: <ul style="list-style-type: none"> • a request for assistance, such as a repayment variation, is declined and no offer is made by the financial firm • 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 or section 80 of the Uniform Consumer Credit Code when the complainant is in financial difficulty (regardless of whether assistance has been requested).
Delay in claim handling	The financial firm has delayed actioning or processing a complainant's claim. For example: <ul style="list-style-type: none"> • delay in handling an insurance claim • delay in processing a chargeback request or EFT claim.
Denial of claim	The financial firm has denied the complainant's claim. For example: <ul style="list-style-type: none"> • the denial of a claim for insurance benefits • an unsuccessful request for a cardholder chargeback • a disputed merchant chargeback • a PayPal buyer/seller complaint.

Issue	Definition
Failure to follow instructions/ agreement	<p>Failure to follow instructions or to act in accordance with an agreement (written or oral). For example:</p> <ul style="list-style-type: none"> • breach of contract (written or oral) • failure to follow written instructions (e.g. direct debit authority not followed, payee name on cheque ignored, internet banking instructions not followed) • non-redemption following request; failure to sell stock; failure to buy or sell a financial product when requested to do so • insurance cover not arranged, including renewals • insurance policy not cancelled • sum insured not increased or change of vehicle not noted on the contract.
Financial firm failure to respond to request for assistance	<p>The financial firm fails to respond to a request for assistance due to financial difficulty. The request may be actual or implied.</p>
Incorrect fees/costs	<p>The financial firm has charged the complainant the wrong amount of fees or other costs for the product or service provided. For example:</p> <ul style="list-style-type: none"> • fees/costs not charged in accordance with disclosed information • fees/costs excessive, inappropriate or wrong.
Misleading product/ service information	<p>The financial firm provided information about a financial product or service that was misleading or misrepresented the features of the product or service. For example:</p> <ul style="list-style-type: none"> • 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 • NB: if the complaint relates to a fee or charge use 'Fee disclosure' or 'Fixed interest loan break cost disclosure' instead.
Mistaken internet payment	<p>A payment made to the wrong person via internet banking. For example:</p> <ul style="list-style-type: none"> • where the sender entered a wrong account number or BSB • where an error by the sending or receiving financial firm has resulted in the payment being sent to the wrong account.
Request to suspend enforcement proceedings	<p>The financial firm continues action to recover a debt after a financial difficulty request has been made. For example:</p> <ul style="list-style-type: none"> • the financial firm continues or commences legal proceedings • 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	<p>The provision of credit in breach of the financial firm's responsible lending obligations, or without proper assessment of the borrower's capacity to meet repayment obligations.</p>

Issue	Definition
Service quality	<p>Other service-related issues that do not fit within other service categories. For example:</p> <ul style="list-style-type: none"> • staff behaviour • other service issues.
Unauthorised transaction	<p>Unauthorised transactions performed on a complainant's account. For example:</p> <ul style="list-style-type: none"> • unauthorised direct debit • forged cheques and withdrawal slips • stolen card ATM withdrawals • credit card transactions not authorised by the cardholder • purchase or sale of investments without written or verbal authority to do so • an insurance claim paid to someone other than the insured and/or a refund provided to another party.
Unconscionable conduct	<p>A statement or action by the financial firm that is so unreasonable or unjust that it is against good conscience. For example:</p> <ul style="list-style-type: none"> • Not allowing enough time to consider a contract • Requiring someone to sign a blank agreement.

Contact us

**Australian Financial
Complaints Authority**

1800 931 678 (Free call)
(9am to 5pm 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