

Two year report

1 November 2018 – 31 October 2020

Working with
consumers, small
businesses and industry
to resolve and reduce
financial disputes



afca
Australian Financial
Complaints Authority



Our role is to assist complainants and financial firms to reach agreements about how to resolve their complaints.

About AFCA

AFCA is Australia's financial industry ombudsman service which provides fair, free and independent solutions to financial disputes.

AFCA is a one-stop shop for individuals and small businesses that have a dispute with their financial firm over issues such as banking, credit, general insurance, financial advice, investments, life insurance or superannuation.

Our role is to assist complainants and financial firms to reach agreements about how to resolve their complaints. We are impartial and independent. We do not act for either party or advocate for their position.

When a complaint is lodged, AFCA refers that back to the financial firm and provides an opportunity for consumers and financial firms to resolve their financial complaint directly between themselves. If an agreement can't be reached, we can investigate the complaint and try to resolve it using negotiation or conciliation.

If this is unsuccessful, AFCA can make a decision in accordance with the decision-making powers under our Rules. This decision is binding on the financial firm.

However, the vast majority of complaints are resolved by complainants and financial firms through the referral back process, negotiation, conciliation and our early assessment. Only 6% of cases require AFCA to make a formal decision.

As well as helping with unresolved complaints, AFCA carries out systemic investigations into practices and recurring issues which could affect multiple consumers, as well as supporting independent committees to monitor compliance with industry codes of practice.

Establishing AFCA

AFCA was established by the Australian Government following the 2016 Ramsay Review, which looked at how Australia's external dispute resolution framework could be improved to deliver effective outcomes for individual 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. All outstanding complaints with FOS and the CIO were transferred to AFCA and we have continued to finalise these matters.

AFCA also became the organisation to lodge new superannuation complaints with, but the SCT continued to work on existing complaints it received before November 2018. The SCT ceased operations on 31 December 2020 and the remaining cases before the SCT were transferred to AFCA.

AFCA is a not-for-profit and non-government organisation. AFCA is a company limited by guarantee and governed by an independent Board of Directors. The Board of Directors consists of an independent Chair and an equal number of Directors with consumer and industry expertise.

Two years at a glance

Between 1 November 2018
and 31 October 2020

Complaints received



153,246
complaints received



7,738

FOS complaints transferred to
AFCA on 1 November 2018
99% resolved with 12 months



2,490

CIO complaints transferred to
AFCA on 1 November 2018
96% resolved with 12 months



8,910

complaints from small
businesses

Products complained about



89,660

Banking
and finance



36,475

General
insurance



13,741

Superannuation



8,494

Investments
and advice



3,523

Life
insurance



15,256

complaints involved
financial difficulty

Complaints closed

143,723

complaints closed¹
61% resolved within 60 days



72%

resolved by agreement or
in favour of complainants



More than **\$477.4 million**¹ in
compensation and refunds was awarded or
obtained through AFCA's dispute resolution work

Members



40,493
members



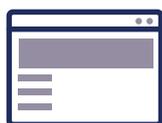
81% of license members did not receive a complaint about them in the last 12 months

Customer service

339,928 phone calls to our dedicated consumer, small business and member lines



14,187
online live chats



More than
1.9 million
website visits



27,000
newsletter subscribers

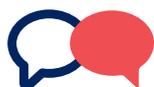


Over **1,000** stakeholder engagements including one-on-one meetings, forums, events and speaking engagements

Systemic issues

166

systemic issues successfully resolved with the financial firms



Over **3.9 million** consumers were identified by financial firms as having been affected by systemic issues investigated by AFCA

Progressed **508** systemic issue investigations and serious contravention and other reportable breach investigations



More than **\$202.2 million**² in refunds to consumers and small businesses following direct AFCA involvement in resolving systemic issues

² This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA since 1 November 2018.

Celebrating two years of success

1 November 2018

AFCA launches, becoming Australia's one-stop shop for financial complaints.



1 November 2019

AFCA celebrates 1 year with more than 70,000 complaints and \$185 million in compensation or refunds to consumers and small businesses.



1 July 2019

Royal Commission outcome: for one-year, AFCA's jurisdiction extended to accept complaints dating back to 2008.

7 November 2019

AFCA Datacube launches: offering a new interactive way to look at AFCA complaints data and compare the performance of financial firms.

12 July 2019

AFCA receives 50,000th complaint.

21 December 2018

Sydney hailstorms: AFCA activates its significant event response plan for the first time.

June 2019

AFCA milestone: total compensation awarded to individual and small businesses reaches \$100 million.



29 March 2019

AFCA Consumer Advisory Panel meets for the first time.

12 September 2019

AFCA launches AFCA Roadshow visiting 30 metro and regional locations to meet individual consumers, small businesses and members.

7 February 2019

AFCA appoints dedicated small business ombudsman.



26 August 2019

AFCA begins naming financial firms in its published determinations.

12 March 2020

AFCA launches COVID-19 online support hub and hotline for consumers and small businesses.

23 March 2020

All AFCA staff move to working from home due to COVID-19, with no downtime or impact on our service.



21 May 2020

AFCA launches CALD videos and updated language resources.



26 May 2020

AFCA hosts virtual Member Forums with over 400 members attending.



10 March 2020

AFCA receives 100,000th complaint.



19 May 2020

Lead ombudsman for insurance John Price speaks at the Bushfire Royal Commission consumer panel discussion.

1 November 2020

Two year anniversary.

3 August 2020

AFCA appoints new Head of Membership Services role.

23 January 2020

AFCA launches dedicated bushfire support hotline.

March 2020

AFCA finalises a significant remediation program, returning more than \$142 million in compensation amounts to around 73,169 banking consumers.



Banking and finance complaints

Between 1 November 2018 and 31 October 2020

Complaints received

89,660 complaints received

50% resolved at Registration and Referral stage

Top five banking and finance complaints received by product¹

Product	Total
Credit cards	22,411
Home loans	13,713
Personal loans	11,150
Personal transaction accounts	7,177
Business loans	2,959

Top five banking and finance complaints received by issue¹

Issue	Total
Unauthorised transactions	9,287
Credit reporting	8,680
Responsible lending	6,337
Financial firm failure to respond to request for assistance	5,899
Service quality	5,738

Complaints closed

85,278 complaints closed

More than **\$172.4 million²** in compensation and refunds was awarded or obtained through AFCA's dispute resolution work

75% of complaints resolved by agreement, or in favour of complainants

Average time to close a complaint
66 days

Stage at which banking and finance complaints closed

Stage	Total
At Registration	44,611
At Case Management	32,801
Preliminary Assessment	4,482
Decision	3,384

Average time taken to close banking and finance complaints

Time	Total
Closed 0–30 days	32.8%
Closed 31–60 days	33.9%
Closed 61–180 days	27.6%
Closed greater than 180 days	5.7%

¹ One complaint can have multiple products/issues.

² This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA.

What banking and finance complaints AFCA can consider

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.



General insurance complaints

Between 1 November 2018 and 31 October 2020

Complaints received

36,475 complaints received

46% resolved at Registration and Referral stage

Top five general insurance complaints received by product ¹

Product	Total
Motor vehicle – comprehensive	7,917
Home building	6,717
Travel	5,937
Motor vehicle – uninsured third party	2,328
Home contents	1,737

Top five general insurance complaints received by issue ¹

Issue	Total
Delay in claim handling	6,805
Claim amount	6,377
Denial of claim – exclusion/ condition	6,110
Denial of claim	4,628
Service quality	2,475

Complaints closed

34,925 complaints closed

More than **\$128.6 million**² in compensation and refunds was awarded or obtained through AFCA's dispute resolution work

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

Average time to close a complaint
75 days

Stage at which general insurance complaints closed

Stage	Total
At Registration	17,257
At Case Management	9,931
Preliminary Assessment	3,860
Decision	3,877

Average time taken to close general insurance complaints

Time	Total
Closed 0–30 days	23%
Closed 31–60 days	36%
Closed 61–180 days	33%
Closed greater than 180 days	8%

¹ One complaint can have multiple products/issues.

² This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA.

What general insurance complaints AFCA can consider

AFCA can consider complaints about the following general insurance products:

- consumer credit insurance
- home building
- home contents
- motor vehicle
- personal and domestic property (including pleasure crafts)
- residential strata title
- sickness and accident
- travel insurance
- business interruption.

The types of issues and problems AFCA resolves include:

- decisions a financial firm has made, such as denial of an insurance claim
- insurance premiums that were incorrectly applied or calculated
- information that wasn't disclosed about a product, or was misleading or incorrect
- 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.



Superannuation complaints

Between 1 November 2018 and 31 October 2020

Complaints received

13,741 complaints received

31% resolved at
Registration and Referral stage

Top five superannuation complaints received by product ¹

Product	Total
Superannuation account	6,623
Total and permanent disability	2,236
Income protection	1,591
Death benefit	1,158
Pension	148

Top five superannuation complaints received by issue ¹

Issue	Total
Delay in claim handling	2,122
Incorrect fees/costs	1,502
Account administration error	1,083
Service quality	1,044
Denial of claim	987

Complaints closed

11,697 complaints closed

More than **\$67.7 million** ² in compensation and refunds was awarded or obtained through AFCA's dispute resolution work

71% of complaints resolved by agreement, or in favour of complainants

Average time to close a complaint
98 days

Stage at which superannuation complaints closed

Stage	Total
At Registration	4,453
At Case Management	5,176
Preliminary Assessment	1,301
Decision	767

Average time taken to close superannuation complaints

Time	Total
Closed 0–30 days	16%
Closed 31–60 days	22%
Closed 61–180 days	49%
Closed greater than 180 days	13%

¹ One complaint can have multiple products/issues.

² This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA.

What superannuation complaints AFCA can consider

AFCA can consider complaints about the following superannuation products:

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

The types of issues and problems AFCA resolves include:

- advice given about a superannuation product
- fees or costs that were incorrectly charged or calculated
- misleading or incorrect information – for example, if benefit statements are incorrect
- information not being provided about a product, including fees or costs
- decisions 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.



Investments and advice complaints

Between 1 November 2018 and 31 October 2020

Complaints received

8,494 complaints received

22% resolved at Registration and Referral stage

Top five investments and advice complaints received by product¹

Product	Total
Foreign exchange	1,763
Shares	1,039
Mixed asset fund/s	788
Superannuation fund	769
Self-managed superannuation fund	685

Top five investments and advice complaints received by issue¹

Issue	Total
Failure to follow instructions/agreement	1,420
Inappropriate advice	1,107
Misleading product/service information	1,019
Failure to act in client's best interests	858
Incorrect fees/ costs	686

Complaints closed

7,147 complaints closed

More than **\$87.6 million²** in compensation and refunds was awarded or obtained through AFCA's dispute resolution work

53% of complaints resolved by agreement, or in favour of complainants

Average time to close a complaint
113 days

Stage at which investments and advice complaints closed

Stage	Total
At Registration	1,987
At Case Management	3,668
Preliminary Assessment	608
Decision	884

Average time taken to close investments and advice complaints

Time	Total
Closed 0–30 days	17%
Closed 31–60 days	23%
Closed 61–180 days	37%
Closed greater than 180 days	22%

¹ One complaint can have multiple products/issues.

² This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA.

What investments and advice complaints AFCA can consider

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

- derivatives
- financial product advice and services
- 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 the information provided 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.



Life insurance complaints

Between 1 November 2018 and 31 October 2020

Complaints received

3,523 complaints received

29% resolved at Registration and Referral stage

Top five life insurance complaints received by product¹

Product	Total
Income protection	1,111
Term life	649
Total and permanent disability	362
Funeral plans	311
Trauma	278

Top five life insurance complaints received by issue¹

Issue	Total
Denial of claim	499
Incorrect premiums	363
Delay in claim handling	309
Claim amount	251
Misleading product/service information	237

Complaints closed

3,297 complaints closed

More than **\$21.6 million²** in compensation and refunds was awarded or obtained through AFCA's dispute resolution work

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

Average time to close a complaint
116 days

Stage at which life insurance complaints closed

Stage	Total
At Registration	969
At Case Management	1,401
Preliminary Assessment	458
Decision	469

Average time taken to close life insurance complaints

Time	Total
Closed 0–30 days	11%
Closed 31–60 days	25%
Closed 61–180 days	45%
Closed greater than 180 days	20%

¹ One complaint can have multiple products/issues.

² This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA.

What life insurance complaints AFCA can consider

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
- complaints about an insurer's decision to avoid or vary a policy on the basis of non-disclosure or misrepresentation
- complainants' instructions that weren't followed
- privacy and confidentiality breaches.



Complaints made by small businesses

Between 1 November 2018 and 31 October 2020

8,910 complaints received

24% resolved at Registration and Referral stage

Top five small business complaints received by product¹

Product	Total
Business loans	2,959
Hire purchase/lease	1,434
Business transaction accounts	1,031
Commercial property	470
Business credit card	419

Top five small business complaints received by issue¹

Issue	Total
Misleading product/service information	1,331
Unconscionable conduct	1,205
Appropriate lending	733
Financial firm failure to respond to request for assistance	696
Credit reporting	407

Complaints closed

8,218 complaints closed

More than **\$47.9 million²** in compensation and refunds was awarded or obtained through AFCA's dispute resolution work

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

Average time to close a complaint
152 days

Stage at which small business complaints closed

Stage	Total
At Registration	2,182
At Case Management	4,570
Preliminary Assessment	691
Decision	775

Average time taken to close small business complaints

Time	Total
Closed 0–30 days	17%
Closed 31–60 days	25%
Closed 61–180 days	35%
Closed greater than 180 days	23%

¹ One complaint can have multiple products/issues.

² This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA.

What complaints from small businesses AFCA can consider

Small businesses with an unresolved complaint with a financial firm who is an AFCA member include:

- sole traders and partnerships
- small businesses with less than 100 employees (incorporated or unincorporated)
- not-for-profit organisations or clubs that are not registered charities if they carry on a business and have less than 100 employees
- registered charities regardless of how many people are employed and whether they carry on a business.

The types of issues and problems AFCA resolves include:

- errors in banking transactions and credit listings
- difficulty repaying loans, credit cards and short-term finance where your financial position has changed
- mistakes in guarantor arrangements
- errors in leasing contracts
- inappropriate provision of credit
- denial of an insurance claim (such as car, building and travel)
- mistaken internet payments
- inappropriate investment advice.

Threshold limits and compensation caps from 1 January 2021:

Type of claim	Compensation limit per claim	Monetary restriction on AFCA's jurisdiction
Credit facility	\$1,085,000 million for small businesses	Must not exceed \$5,425,000 million
	\$2,170,000 million for primary producers	Must not exceed \$5,425,000 million
Most other claims (excluding Superannuation)	\$542,500	Must not exceed \$1,085,000 million

Systemic issues

In addition to our dispute resolution function, AFCA has a systemic issues function.

Individual complaints can raise issues that we consider are systemic, that is, they are likely to effect a class of persons beyond any person who lodged a complaint or raised a concern.

AFCA's systemic issues obligations

AFCA is required under the *Corporations Act 2001* (Cth) and ASIC's *RG 267 Oversight of the Australian Financial Complaints Authority* to "Identify, refer and report systemic issues."

Under RG 267.198, a "systemic issue" means an issue that may:

- (a) affect more than one complainant
- (b) involve many complaints that are similar in nature
- (c) affect all current or potential complainants at a particular firm; or
- (d) affect more than one firm.

Source: ASIC June 2018. *RG 267.198: Oversight of the Australian Financial Complaints Authority*, p. 42.

We will conduct an investigation of a possible systemic issue through dealing with the financial firm. We will then form a view as to whether or not the issue is a definite systemic issue.

We report definite systemic issues to ASIC, APRA or the ATO. We identify the financial firm to the regulator.

Referring matters to appropriate authorities

Section 1052E(1) of the *Corporations Act* requires that AFCA must give particulars of a contravention, breach, refusal or failure to APRA, ASIC or the ATO, as appropriate, if it becomes aware, in connection with a complaint, that:

- (a) a serious contravention of any law may have occurred;
- (b) a contravention of the governing rules of a regulated superannuation fund or an approved deposit fund may have occurred;
- (c) a breach of the terms and conditions relating to an annuity policy, a life policy or an RSA may have occurred; or
- (d) a party to the complaint may have refused or failed to give effect to a determination made by AFCA.

Source: *Corporations Act 2001* (Cth), S1052E(1).

If the parties to a complaint agree to a settlement of the complaint and AFCA thinks the settlement may require investigation we may give particulars of the settlement to ASIC, APRA or the ATO. AFCA is not a regulator. The conduct regulator of the financial services industry is ASIC and the prudential regulator is APRA.

The primary purpose of AFCA's reporting requirements is to ensure that information is provided to the regulators so they may consider whether regulatory action is necessary.

In relation to definite systemic issues reported to regulators, the AFCA systemic issues team always seeks to work collaboratively with financial firms to resolve such issues. This often involves financial firms implementing changes to their systems and processes to avoid the recurrence of the issues identified. In doing so, our systemic issues work helps us achieve our vision of raising industry standards and minimising financial complaints.

166 systemic issues successfully resolved with the financial firms

Over **3.9 million** consumers were identified by financial firms as having been affected by systemic issues investigated by AFCA

Progressed **508** systemic issue investigations and serious contravention and other reportable breach investigations

More than **\$202.2 million**¹ in refunds to consumers and small businesses following direct AFCA involvement in resolving systemic issues

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



Codes of practice

The Code Compliance and Monitoring Team (Code Team) is a separately operated and funded business unit of the AFCA.

The Code Team support independent committees to monitor compliance with codes of practice in the Australian financial services industry to achieve service standards people can trust.

We administer the:

- Banking Code of Practice
- General Insurance Code of Practice
- Insurance Brokers Code of Practice
- Customer Owned Banking Code of Practice
- Life Insurance Code of Practice

More than 600 financial firms voluntarily subscribe to one of the five codes we administer.

Code Compliance Committees

All five codes are monitored by independent Code Compliance Committees. On behalf of these committees we:

- conduct code monitoring activities
- investigate alleged code breaches
- share experiences of good industry practice
- Compliance investigations.

Each code sets out individual rights for consumers, including lodging a complaint that a financial firm may not have met its obligations under its industry's code.

Investigating these types of concerns helps us monitor financial firms' compliance, and support them to remedy breaches of the code.



AFCA provides fair, free and independent solutions to financial disputes.

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