

# AFCA arrangements for comparative reporting of complaint data

August 2019

## Overview

### Purpose

Between April and July 2019, AFCA sought feedback from ASIC and a range of consumer and industry stakeholders on our approach to comparative reporting of complaint data.

We are grateful to the stakeholders that provided feedback and have taken it into account when finalising our approach to comparative reporting.

In total we received 13 written responses. The list of stakeholders who provided feedback is outlined in the Appendix.

This paper outlines our comparative reporting approach, and the comparative reporting arrangements that will apply from 2018-19.

Comparative reporting for 2018-19 is scheduled to be released in October 2019.

### Background

In accordance with ASIC Regulatory Guide 267 ([RG 267](#)) and AFCA's Rules, AFCA must publicly report information about complaints it receives, including comparative information by financial firms involved in the complaints. This reporting must occur at least annually. Two of AFCA's predecessor schemes, the Financial Ombudsman Service (FOS) and the Credit and Investments Ombudsman (CIO) previously published comparative reports annually, which included details about complaints received or accepted<sup>1</sup> for each relevant financial firm and the outcomes of complaints closed by each financial firm.

With the exception of most superannuation trustee members, the majority of AFCA members are familiar with the comparative reporting framework that applies under RG

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<sup>1</sup> FOS reported on complaints that were not resolved in its initial Registration & Referral stage and that had progressed and been accepted into its Case Management stage.

267 (previously under RG 139), given their previous External Dispute Resolution (EDR) scheme membership.

As part of its public reporting obligations, AFCA must ensure that the information reported is accurate and presented in an appropriate context – for example, by categorising member information according to industry sector and/or size of business. This assists in providing comparability between member firms that operate similar businesses, as it takes into account different business types and sizes.

### The value of complaints data

Publication of AFCA's complaints data has several benefits, including:

- Consumers and small businesses can find out how likely other consumers were to lodge a complaint with AFCA about a particular product or service provided by a financial firm. They can also access information about the outcomes of complaints involving particular financial firms. This information may assist consumers in assessing the performance and customer service of financial firms and may inform decisions they make when sourcing financial products or services.
- Members can compare their AFCA complaint performance with other financial firms in their industry, which may assist them to set targets for their businesses and direct their resources to the right areas to resolve complaints fairly, effectively and efficiently. The data may also be used as a benchmarking tool for members to improve their Internal Dispute Resolution (IDR) systems and broader customer service programs.

## Simplifying comparative reporting

### Comparative reporting approach used by FOS and CIO schemes

The FOS and CIO predecessor schemes published complaint data for relevant financial firms since 2009-10.

The CIO published a summary of the number of complaints received and closed, and outcome information for each financial firm, with the data collated by industry sector. CIO published the complaint data with its annual review as '[FSP complaint statistics](#)'.

FOS published its complaint data by product groups, and it published either a 'chance of complaint metric' (calculated using business size data provided by financial firms) or published the number of complaints for a financial firm where business size data was not available. FOS also provided outcome information. The FOS 'Comparative Tables' and supporting information is available on its [website](#).

The Superannuation Complaints Tribunal (SCT) did not publish comparative data.

The comparative reporting approaches used by the FOS and CIO schemes had several limitations, including:

- CIO reporting did not allow comparison based on business size of a financial firm.
- FOS was limited in its ability to validate business size data provided by financial firms, and where business size data was not available it used a combination of both chance of complaint and complaint numbers in its comparative tables.
- The complexity of some business size data from financial firms and the product classifications system used by FOS meant that in some instances comparative data was less clear and more difficult to understand and compare financial firm performance.

### AFCA Comparative reporting approach

A key objective in AFCA's approach to comparative reporting is to simplify the comparative reporting data published and make it more transparent, accessible and user friendly for consumers, member firms and other stakeholders.

Our approach to comparative reporting for AFCA is set out below.

### 2018-19 transitional year arrangements

2018-19 will be a transitional year of comparative complaint reporting, due to four schemes operating during this period – AFCA, CIO, FOS and the SCT. The three predecessor schemes stopped receiving new complaints after 31 October 2018, partway through the reporting period.

It is not possible to feasibly combine the data of the four schemes into one set of comparative data, given the different processes, data structures and reporting arrangements that were in place for the three predecessor schemes. In addition, SCT complaint data by financial firm is not publicly reported or available, given its secrecy obligations and legislative limitations.

As a result, we intend to include only AFCA scheme complaint data for 2018-19 (in relation to information about complaints received and accepted from 1 November 2018 – 30 June 2019<sup>2</sup>).

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<sup>2</sup> Our comparative reporting for 2018-19 for the number of complaints received and accepted for each relevant financial firm will cover complaints received and accepted between 1 November 2018 and 30 June 2019 - and will not include complaints received by predecessor schemes between 1 July to 31 October 2018.

As part of the complaint outcome reporting, complaints closed by both the AFCA and FOS schemes between 1 November 2018 to 30 June 2019 will be included, less any applicable exclusions. This will provide a more complete set of outcome data for the period. Complaints received by the CIO predecessor scheme will not be included in 2018-19 comparative reporting, because of different processes and data structures.

## Increasing frequency of publication

To enhance transparency and provide comparative information more frequently, we will publish comparative reporting on a six-monthly basis, in addition to an annual report which we will include in our Annual Review.

The six-monthly reports will apply from 2019-20 onwards and cover the following periods:

- July to December, and
- January to June.

Financial firms will continue to have the opportunity to review and validate their complaint data through our Secure Services Portal<sup>3</sup>.

## Maintaining statistical significance

To ensure the data published is statistically meaningful, we will apply a minimum threshold number of complaints for financial firms to be included in comparative reporting for a reporting period.<sup>4</sup>

## Improving accessibility

AFCA will not use the FOS “chance of complaint” metric and instead adopt the CIO approach of reporting raw numbers of complaints.

## Product-based tables

Comparative reporting is one of the tools we can provide consumers and small businesses to make informed choices about financial products and services. Therefore, we will publish complaint data split according to product groupings, based on AFCA’s product classification system (for example, credit cards, home content insurance and managed investments). A list of the proposed AFCA product-based tables is outlined in the Appendix.

AFCA’s product-based tables will include those previously used by the FOS scheme and will also include additional tables (for example, superannuation and uninsured third-party motor vehicle insurance disputes). In the majority of FOS comparative tables, the comparative group was displayed which included several comparative products. We are working on visualisation options for the AFCA’s new data visualisation website to provide a more granular view for users by products.

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<sup>3</sup> For the transitional year 2018-19, firms will be provided with a three week period in September 2019 for data validation. Moving forward to six-monthly publications, AFCA will provide members the ability to validate their complaint data all year round. This will commence from 2019-20.

<sup>4</sup> FOS Comparative Tables only listed the members with 5 or more complaints brought to FOS over 12 months in a particular product group. For 2018-19, due to it being a partial reporting year for the AFCA scheme, we will apply a minimum threshold on a pro-rata basis of 4 or more complaints. From 2019-20, we will apply a minimum threshold of 5 or more complaints in both six monthly and annual reports.

In line with the FOS practice, AFCA will report on complaints accepted into its Case Management stage by firm and provide outcome data in all tables.

### Overall table

Many of the complaints received by AFCA are resolved at our initial stage of Registration & Referral, where firms have the opportunity to resolve complaints directly with the complainant or provide a detailed complaint response by a due date.

In addition to product tables, AFCA will publish an overall table of complaint data, which will include for all firms the following information:

- the number of complaints received at our initial Registration & Referral stage,
- the resolution rate achieved by financial firms at Registration & Referral,
- the number and rate of non-responses by financial firms,
- the number of complaints accepted, and
- the number of complaints closed in the reporting period.

### Simpler business size metric

We will publish a simpler business size metric for each financial firm, based on business size information that member firms already provide AFCA as part of our annual membership levy assessment. Financial firms will only be required to provide AFCA business size information once each year as part of the annual levy assessment process.

The sizing metric will be 'very small, small, medium, large and very large'. This will ensure that complaint data published for each financial firm can be compared appropriately, taking into account the relevant business size of each firm. In the published comparative reporting information that we will publish on our website we will include a guide providing information about these sizing measures and how they are determined.

### Superannuation business size metric

Under AFCA's interim funding arrangements, superannuation trustee members pay a superannuation membership levy and do not complete the general annual levy assessment.

In response to feedback from superannuation stakeholders, we will provide comparability by sizing superannuation trustee members based on the 'total number of member accounts' per trustee. Member account information will be based on relevant APRA data.

Superannuation business Size	Range
Very Small	Firm has less than 1,000 member accounts.
Small	Firm has 1,000 to 99,999 member accounts.
Medium	Firm has 100,000 to 499,999 member accounts
Large	Firm has 500,000 to 999,999 member accounts.
Very Large	Firm has more than 1,000,000 member accounts.

### Enhancing reporting of complaints outside our jurisdiction

FOS comparative reporting excluded all complaints outside its Terms of Reference. To ensure consistency with other reports that we publish and provide to stakeholders, including our Annual review, we will include complaints assessed as outside our jurisdiction under our Rules. However, to ensure these are clearly reported, they will be under a specific outcome category.

### Improving data interactivity

In our new data visualisation tool, we will provide:

- a range of data sort options for users to apply including the option to include or exclude the business size metric,
- an interactive map visualisation to display complaints by state and/or postcode,
- information about brand or trading names of financial firms to provide greater clarity about which financial firm a complaint is recorded against,
- the ability to search by the name of a superannuation fund, given this may be different to the superannuation trustee name that a complaint is recorded against,
- the option of making historical comparisons for financial firms' past comparative reporting results from 2019-20, and
- the ability to include or exclude legacy complaints relating to conduct dating back to 1 January 2008, given these complaints may skew future historical comparisons for 2019-20.

### More information

For more information on AFCA's arrangements for comparative reporting, please email your enquiry to [comparativereporting@afca.org.au](mailto:comparativereporting@afca.org.au).

# Appendix

## Submissions received

In addition to feedback received verbally, 13 written submissions were received from the following stakeholders:

### Industry groups

- Association of Financial Advisers (AFA)
- Association of Superannuation Funds of Australia (ASFA)
- Australian Banking Association (ABA)
- Australian Institute of Superannuation Trustees (AIST)
- Customer Owned Banking Association (COBA)
- Financial Planning Association of Australia (FPA)
- Financial Services Council (FSC)
- Insurance Council of Australia (ICA)

### Consumer groups

- Consumer Action Law Centre (CALC) and Financial Rights Legal Centre (FRLC)
- Legal Aid Queensland

### Individual financial firms

- Hollard Insurance
- Liberty Financial Group
- Suncorp Group

## Proposed product-based tables

AFCA complaint data will be split in one of 29 product tables.

Each table will present only firms with 5 or more complaints accepted except for the transitional 2018-19 year<sup>5</sup>. Tables may not be published when there are no members.

- Business Finance
- Consumer Loans
- Credit Cards
- Credit Insurance
- Deposit Taking – Payment Systems

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<sup>5</sup> For 2018-19, due to it being a partial reporting year for the AFCA scheme, we will apply a minimum threshold on a pro-rata basis of 4 or more complaints. From 2019-20, we will apply a minimum threshold of 5 or more complaints in both six monthly and annual reports.

- Derivatives – Hedging & Securities
- Extended Warranties
- Home Building Insurance
- Home Contents Insurance
- Housing Finance
- Life Insurance
- Managed Investments
- Margin Loans
- Medical Indemnity
- Motor Vehicle Insurance
- Motor Vehicle Insurance – Uninsured third party
- Personal and Domestic Property Insurance
- Professional Indemnity Insurance
- Real Property
- Small Business/ Farm Insurance
- Sickness & Accident Insurance
- Superannuation – Account Administration
- Superannuation – Death benefits distribution
- Superannuation – Group Life Insurance
- Superannuation – Non Trustee Related
- Superannuation - Pensions
- Timeshare & Strata Title Schemes
- Traditional Trustee Services
- Travel Insurance