



Annual Review

Snapshot 2017-18

Message from the Chief Ombudsman



In 2017-18, we handled a record number of disputes. Despite the major challenge of this sharp rise in dispute numbers, from 39,479 received last year to 43,684, we maintained our timeframes without compromising quality. We did so by recruiting additional staff, maintaining our robust internal dispute processes, and moving staff to areas of higher dispute volumes.

Open and accessible service

A key focus again has been on systemic issues. We identified and referred 306 possible systemic issues to financial firms for response and resolved 91 definite systemic issues. We also continued working with our members and community organisations that support people who have financial disputes, and to make our service more open and accessible.

During the past 12 months, we have been working to be well prepared for the transition to the new single financial sector dispute resolution scheme, the Australian Financial Complaints Authority (AFCA). I am pleased this is now well advanced in accordance with the approach we supported.

FOS has also been busy responding to the Royal Commission. In my view, the reasons for the lack of trust in financial services and failures by financial firms to meet community standards and expectations are inextricably linked to the failure of the boards and senior management of financial firms to put the fair treatment of consumers at the heart of their business.

I am hopeful that the Royal Commission will strongly support the Ramsay Review proposals for a compensation scheme of last resort, and that the Government and industry stakeholders will act quickly to establish and fund such a scheme.

A note of thanks

I would like to thank the FOS Board, under its Chair Michael Lavarch, for its direction and support over the past seven years. I would like to thank my executive and management team colleagues, and all the wonderful FOS staff for their commitment and willingness to embrace new challenges and deliver a fair and efficient dispute resolution service for the benefit of the Australian community.

I am confident that by building on the foundations of FOS, AFCA will go from strength to strength under the AFCA Chief Ombudsman, David Locke, and the AFCA Board, chaired by Helen Coonan.

Shane Tregillis
FOS Chief Ombudsman

New dispute scheme takes shape

Legislation to establish the Australian Financial Complaints Authority (AFCA) as the new single resolution scheme for the financial sector passed Parliament on 14 February 2018.

AFCA will replace the three existing external dispute resolution schemes: Financial Ombudsman Service (FOS), Credit and Investments Ombudsman (CIO) and Superannuation Complaints Tribunal (SCT).

From 1 May 2018, a new operating company, the Australian Financial Complaints Authority Limited replaced the Financial Ombudsman Service Limited as the legal entity running the FOS scheme.

AFCA begins receiving new disputes on 1 November 2018. Until then, consumers should continue to lodge disputes with FOS. The SCT will continue to operate in its own right after 1 November 2018 until it finalises all existing disputes.

Since March 2018, more than 50 FOS people have been working to ensure a smooth transition to AFCA. Before this, a joint working group was established with the SCT and it met regularly from July 2017 to examine the best ways for superannuation disputes to be managed under the new scheme.

Timeline of key events

2016

December – Ramsay Review publishes interim report on the financial system's external dispute resolution (EDR)

2017

February – FOS submission to the Ramsay Review supports a single EDR scheme

May – Government announces new one-stop shop: Australian Financial Complaints Authority (AFCA)

August – Government announces members of the AFCA transition team expert reference panel, led by former Assistant Governor of the Reserve Bank, Dr Malcolm Edey, and including FOS Chief Ombudsman Shane Tregillis

September – Government introduces to Parliament legislation to establish AFCA

2018

February – AFCA legislation passes through Parliament

March – The Hon Helen Coonan appointed inaugural AFCA Chair

April – Minister for Revenue and Financial Services authorises the establishment and operation of AFCA

May – AFCA Board meets for the first time

June – AFCA consults on draft Rules to enhance dispute resolution

June – David Locke appointed inaugural Chief Ombudsman/CEO of AFCA

July – AFCA consults on funding model

November – AFCA to commence receiving new disputes

2017-18 at a glance

Performance compared with last year

Total disputes received

43,684 ▲ 11%

Total disputes closed

43,325 ▲ 10%

Financial difficulty disputes accepted

2,752 unchanged

Systemic
issues
resolved

91

Number of
investigations of alleged
breaches of industry
codes of practice (with
98 confirmed breaches)

292

Number of members -
Licensees

5,285 ▼ 6%

Phone calls handled by
our contact team

220,951 ▼ 6%

Number of members -
Authorised credit representatives

6,245 ▼ 20%

Visits to our website

809,820 ▲ 20%

Key facts and statistics

Disputes received

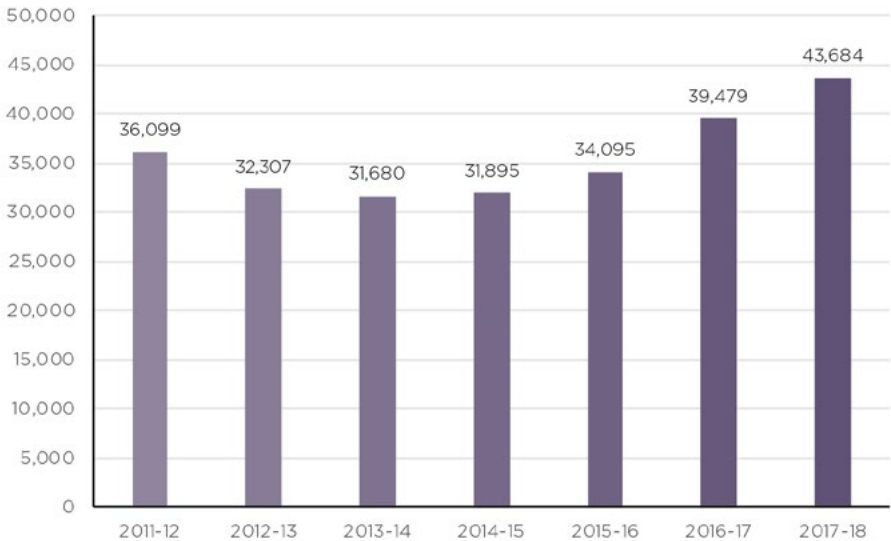
FOS received another record 43,684 disputes in 2017-18. This was an 11% increase from last year, after the 16% increase from 2015-16. This followed three years of stable dispute numbers.

The increase in 2017-18 was driven by increased dispute numbers in all categories, especially later in the year. It was highlighted by a 28% rise in investments and advice disputes and a 27% rise in deposit-taking disputes.

Growing awareness of FOS, due to increased attention brought about by the Royal Commission and the public debate about the future of external dispute resolution, may help explain the unprecedented dispute numbers.

The proportion of disputes resolved when referred back to financial firms increased to 44% compared to 43% last year. These disputes are resolved by the firms and the consumer working together. This highlights the value of the firms considering disputes before FOS becomes involved.

Total disputes received by year (case count)

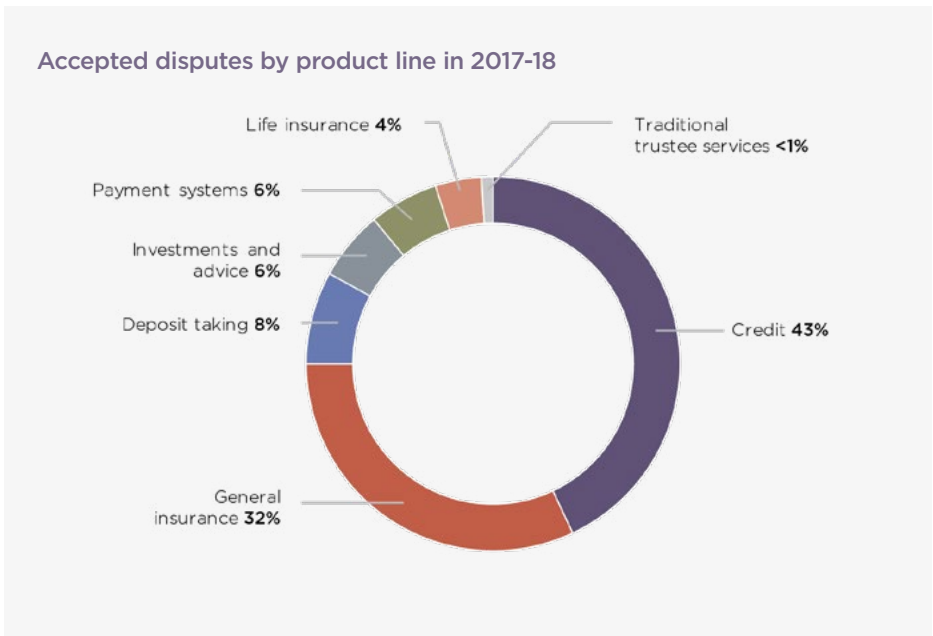


Disputes accepted

Accepted disputes are those that have entered the Case Management stage of our dispute resolution process.

We accepted 22,962 disputes in 2017-18. This was 2% more than last year.

Credit disputes accounted for 43% of all accepted disputes (the same as last year), followed by general insurance 32% (down three percentage points from last year).



Disputes closed

In 2017-18, we closed a record 43,325 disputes. This was 10% more than last year's figure (which was also a record).

A dispute can be closed:

- through an agreement between the parties involved
- through a decision made by FOS
- because the dispute is discontinued or outside our Terms of Reference.

Of those disputes closed in 2017-18, almost half (47%, compared with 44% last year and 37% the previous year) closed during Registration and Referral, and the rest (53%, compared with 56% last year and 63% the previous year) closed after they were accepted into Case Management.

Total disputes closed by year

	Total
2011-12	36,049
2012-13	33,773
2013-14	33,450
2014-15	34,714
2015-16	32,871
2016-17	39,481
2017-18	43,325

Dispute outcomes

The proportion of disputes closed by agreement between the applicant and the financial firm was 60%, the same as last year. The proportion of disputes resolved through a FOS decision – because an agreement could not be reached – was 17% (compared with 15% last year).

Collaborative resolutions are quicker and cheaper than resolutions achieved through a formal decision by us. They can be tailored to the specific facts of the dispute and are also more likely to maintain, or even improve, relationships between the consumer and their financial firm.

Time taken to close disputes

In 2017-18, we closed almost half (48%) of the disputes lodged with us within 30 days. This is an increase of 4 percentage points from last year. We closed 80% (compared with 78% last year) of disputes within 60 days. And we closed 87% (86% last year) of disputes within 90 days.

The average time to close disputes was 54 days (the same as last year), which was a 13% reduction from 62 days in 2015-16.

Reducing the time taken to close disputes continues to be a priority for us in our efforts to deliver a fair, fast and efficient dispute resolution service.

Other highlights

Systemic issues and serious misconduct

The systemic issues team received 1,037 referrals of possible systemic issues from FOS dispute handling teams in 2017-18 (compared with 1,476 last year). This included multiple referrals of the same issues. From those 1,037, the team identified and referred 306 possible systemic issues to financial firms for response (192 last year), and resolved 91 definite systemic issues (66 last year).

More than 295,000 customers were identified by financial firms as having been affected by systemic issues investigated by us.

Outcomes of systemic issues resolved included:

- refunds of more than \$42 million (in some cases the issues identified from FOS disputes may have already been remediated by the financial firms or been subject to ASIC involvement)
- amendment or removal of more than 2,800 credit listings.

Improvements included monitoring and controlling authorised representatives providing investment advice to clients, training staff of financial firms to identify instances of potential elder abuse, helping customers in financial difficulty, improving claims handling processes for motor vehicle insurance and improving mobile internet banking services to reduce outages and notify customers when issues arise.

We reported 11 cases of serious misconduct to ASIC in 2016-17 compared with 9 last year.

Code compliance and monitoring

The Code Compliance and Monitoring team at FOS (Code team) supports independent code compliance committees who monitor compliance with standards set out in five industry codes of practice: Code of Banking Practice, General Insurance Code of Practice, Customer Owned Banking Code of Practice, Insurance Brokers Code of Practice and Life Insurance Code of Practice.

The Code team's work helps financial firms to continually improve their services and achieve standards people can trust.

In total, 578 financial firms subscribed to the codes in 2017-18, and as a result of the Code team's annual compliance work on behalf of the independent committees, these subscribers self-identified 22,550 breaches of code obligations.

The Code team conducted 292 new investigations into allegations that a financial firm had breached one or more code obligations, and as a result of these investigations, 98 breaches were confirmed. The code subscribers responsible for each breach took action to remedy the non-compliance and prevent similar breaches occurring again.

Our stakeholders

FOS has a broad range of stakeholders:

- financial firms who are members of FOS
- consumer representatives such as financial counsellors and community lawyers
- ASIC and other government and industry bodies
- the Australian community.

In 2017-18, we helped people understand and use our service, strengthened partnerships especially with consumer representatives, shared our dispute experience with members, and supported people in challenging circumstances.

Sharing our knowledge and expertise

We published the *FOS Approach to Financial Elder Abuse* to help financial firms (especially frontline employees) understand the warning signs of financial elder abuse and act to prevent it. We then delivered professional development on the subject for consumer advocates and our members at 12 conferences and forums, including our first webcast.

Other key activities included:

- visiting flood-affected businesses in the wake of Cyclone Debbie to help resolve insurance disputes
- delivering policy submissions, including for the Royal Commission
- hosting a total of 21 open forums, engaging with more than 1,400

members on industry insights and developments, including explaining the transition to AFCA

- working with financial firms and ASIC on major remediation schemes that compensate consumers for loss
- continued meeting with our Consumer Liaison Group to gain a broader picture of financial problems in the community.

Improving accessibility

We improved the accessibility of our service and supported vulnerable people by:

- delivering 64 initiatives under our Reconciliation Action Plan, supporting our growth as a culturally competent organisation
- raising awareness of financial abuse in a family violence context by delivering workshops for consumer advocates, engaging with members and conducting compulsory staff training
- attending 32 community outreach events across the country
- improving resources for people accessing our website, including launching a new Auslan video for people who are deaf or hard of hearing.

Our Terms of Reference

FOS operations are governed by our Terms of Reference, which sets out the principles for how we operate, our rules and processes (see www.fos.org.au/tor).

Our strategic measures

Strategic focus	Success measures
 <p>Delivering a responsive, flexible and adaptable dispute resolution service</p>	<p>Applicant satisfaction</p> <p>Percentage of applicants who report a satisfactory or better dispute resolution experience at FOS</p>
	<p>Clearance ratio</p> <p>A retrospective indicator that compares how many disputes we closed with how many we accepted</p>
	<p>Age profile of open disputes</p> <p>Percentage of open accepted disputes that are less than or equal to 180 days old</p>
	<p>Age profile of closed disputes</p> <p>Percentage of accepted disputes closed in less than or equal to 180 days</p>
	<p>Accepted disputes closed per quarter per dispute FTE</p> <p>This provides a measure of the dispute handling process at FOS. It does not account for the type and complexity of disputes</p>
 <p>Enhancing our stakeholder engagement and accessibility</p>	<p>Stakeholder engagement survey</p> <p>Measures the overall satisfaction that FOS is meeting the needs of stakeholders (on a scale of 0 to 10)</p>
 <p>Building our organisational capability and sustainability</p>	<p>Staff engagement score</p> <p>Survey responses measuring staff engagement and alignment with our values and behaviours</p>
	<p>Environment audit rating</p> <p>NABERS rating of organisation's impact on the environment</p>
	<p>Corporate full-time equivalent (FTE) to total FTE</p> <p>Percentage of support staff (corporate) to staff directly involved in dispute resolution $\leq 15\%$</p>

2017-18 targets	2017-18 performance
70% of applicants are satisfied with how FOS handled their dispute	65% While we did not meet our target, we are carrying out various measures to improve (see page 34 of the FOS Annual Review 2017-18)
≥103%	100% We delivered a better result than last year, but record dispute numbers kept us under target
95% are less than or equal to 180 days old	89% This was an improvement on last year's result but the increase in dispute numbers kept us under target
95% closed ≤180 days	89% Increased dispute numbers added pressure to our dispute handling and closure timeframes
≥23	21 We recruited a large number of staff to meet the demands of record dispute numbers, which had some impact on average disputes closed per case workers
Due to the transition to the Australian Financial Complaints Authority (AFCA), the stakeholder engagement survey was not conducted in 2017-18	No result
Maintain staff engagement at current levels	No result (survey every two years)
≥5 star rating	5.5 stars
≤15%	14%

Contact us

Website www.fos.org.au

Phone 1800 367 287 (1800 FOS AUS) 9am to 5pm
Monday to Friday

Email info@fos.org.au

Mail GPO Box 3 Melbourne VIC 3001

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About us

The Financial Ombudsman Service Australia (FOS) is an external dispute resolution scheme approved by the Australian Securities and Investments Commission (ASIC). Our service is free to consumers. FOS is a not-for-profit organisation, and we are funded by our members who are financial firms operating in Australia.

FOS resolves disputes between consumers (including some small businesses) and financial firms across Australia in these broad product types: credit, general insurance, investments and advice, payment systems, deposit taking, life insurance and traditional trustee services.

From 1 November 2018, FOS is being replaced by a new single resolution scheme for the financial sector, the Australian Financial Complaints Authority (AFCA). See www.afca.org.au.