I am pleased to report that we delivered strongly on all our priorities in the FOS 2014-2015 Business Plan.

Working closely with our members and consumer organisations, we made major improvements to our dispute resolution process consistent with the recommendations made in the independent review of FOS last year.

We eliminated our dispute backlog and developed our new streamlined dispute process that is designed to be quicker and simpler and enhance user experience for applicants and financial services providers (FSPs). It includes:

» A new process to fast-track decisions for simpler and low-value disputes

» A new registration and referral process

» Provision of specialist expertise earlier in the dispute process

» Reduction of ‘touchpoints’ and process stages

» A more efficient financial difficulty dispute process including earlier contact, flexible pathways and consistent decision making

» A new format for decisions that more effectively communicates the outcomes of disputes to applicants and FSPs.

I would like to thank all our stakeholders for working with us directly and through industry, consumer and other meetings. As a result of this engagement, we modified our original proposals so that our dispute process works effectively for applicants and FSPs.

The improvements we have made to the timeliness and quality of our dispute service would not have been possible without the continuing dedication and hard work of FOS staff and the support of the FOS Board.

I look forward to working with the Board, staff and all our stakeholders as we build on our achievements to further improve the independent and impartial dispute service we provide to the Australian community.

Shane Tregillis
Chief Ombudsman
Simpler and quicker dispute process

Improvements to our way of working

The changes we have made to our dispute process have seen many improvements to the way we work, as illustrated below.

The enhanced process

Our new dispute process, effective from 1 July 2015, has fewer stages and is designed to be simpler and quicker to use.
## 2014-2015 at a glance

<table>
<thead>
<tr>
<th></th>
<th>PERFORMANCE COMPARED WITH LAST YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total disputes received</td>
<td>31,895</td>
</tr>
<tr>
<td></td>
<td><strong>up 1%</strong></td>
</tr>
<tr>
<td>Total disputes closed</td>
<td>34,714</td>
</tr>
<tr>
<td></td>
<td><strong>up 4%</strong></td>
</tr>
<tr>
<td>Financial difficulty disputes</td>
<td>4,134</td>
</tr>
<tr>
<td>accepted</td>
<td><strong>down 12%</strong></td>
</tr>
<tr>
<td>Systemic issues resolved</td>
<td>52</td>
</tr>
<tr>
<td>Number of investigations of</td>
<td>347</td>
</tr>
<tr>
<td>alleged breaches of industry</td>
<td><strong>up 34%</strong></td>
</tr>
<tr>
<td>codes of practice with 238</td>
<td></td>
</tr>
<tr>
<td>confirmed breaches</td>
<td></td>
</tr>
<tr>
<td>Number of members</td>
<td>4,849</td>
</tr>
<tr>
<td>Licensees:</td>
<td><strong>up 0.1%</strong></td>
</tr>
<tr>
<td>Authorised credit representatives:</td>
<td>9,258</td>
</tr>
<tr>
<td></td>
<td><strong>down 11%</strong></td>
</tr>
<tr>
<td>Phone calls handled by our</td>
<td>210,420</td>
</tr>
<tr>
<td>contact team</td>
<td><strong>down 5%</strong></td>
</tr>
<tr>
<td>Visits to our website</td>
<td>602,542</td>
</tr>
<tr>
<td></td>
<td><strong>up 3%</strong></td>
</tr>
</tbody>
</table>
Disputes received

FOS received 31,895 disputes in 2014-2015, up 1% from last year. The number of disputes received has stabilised over the past three years.

The vast majority (94%) of our 14,107 members did not have any disputes lodged against them in 2014-2015. When members did have disputes lodged against them, most had only one dispute.
Accepted disputes by product line

In 2014-2015, credit disputes accounted for 49% of all accepted disputes (down 1% from last year), followed by general insurance (26%, down from 27% last year and 30% in 2012-2013).
Disputes closed
FOS closed 34,714 disputes in 2014-2015, up 4% from last year.

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 the disputes we closed in 2014-2015, 8,645 were during the Registration stage and 26,069 during or after the Acceptance stage.

Total disputes closed by year

- 2011-12: 36,049
- 2012-13: 33,773
- 2013-14: 33,450
- 2014-15: 34,714
Dispute outcomes

The proportion of disputes closed by agreement between the applicant and the FSP dropped from 72% in 2011-2012 to 63% in 2014-2015. The proportion of disputes resolved through a FOS decision - because an agreement could not be reached - was almost 14%.

Collaborative resolutions are quicker and cheaper than resolutions achieved through a formal decision by FOS. 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 FSP.

Time taken to close disputes

In 2014-2015, we closed:

» more than one-fifth (22%) of disputes within 30 days (compared with 18% last year and 15% the previous year)
» almost two-thirds (61%) within 60 days (56% last year)
» almost three-quarters (72%) within 90 days (67% last year).

Reducing the time taken to close disputes is a key focus for FOS in our initiatives to deliver a more efficient and effective dispute resolution service.

Systemic issues and serious misconduct

The systemic issues team received 2,137 referrals of possible systemic issues from FOS dispute handling teams in 2014-2015 (compared with 1,903 last year). This included multiple referrals of the same issues. From those 2,137, the team identified and formally referred 173 possible systemic issues to FSPs for response (162 last year), and resolved 52 definite systemic issues (54 last year).

Outcomes of systemic issues resolved this year included:

» refunds of more than $4.3 million (in some cases the issues identified may have been remediated by the FSP or subject to ASIC involvement)
» amendment or removal of more than 2,700 credit listings.

In addition, reward points were reimbursed, fees and enforcement costs refunded, denials of insurance claim overturned and improvements were made to disclosure, online banking, and processes, procedures and training.

We reported 14 cases of serious misconduct to ASIC in 2014-2015 compared with 11 last year.

Code compliance and monitoring

The Financial Ombudsman Service Australia Code Compliance and Monitoring team (FOS Code) supports independent Code Compliance Committees to monitor compliance with the standards set out in four industry codes of practice:

» Code of Banking Practice
» General Insurance Code of Practice
» Customer Owned Banking Code of Practice
» Insurance Brokers Code of Practice.

In total, 604 FSPs subscribed to these codes in 2014-2015. Of these, 384 were asked to take part in an annual compliance program. During this process, code subscribers self-identified 12,854 breaches of code obligations.
FOS Code closed 353 investigations into allegations that an FSP had breached one or more code obligations. A total of 238 confirmed breaches across the four codes were identified as a result of these investigations. The code subscribers responsible for each breach took action to remedy the non-compliance and prevent similar breaches occurring again.

**Stakeholder engagement**

FOS has a broad range of stakeholders:

- financial services providers (FSPs who are members of FOS)
- consumer representatives such as financial counsellors and community lawyers
- industry bodies
- ASIC and other government bodies
- the Australian community.

**Sharing our knowledge and expertise**

In 2014-2015, we engaged with FSPs, consumer organisations and other stakeholders in many ways including:

- face-to-face meetings with members who use our service most frequently
- stakeholder events
- industry forums
- webinars
- member e-newsletters
- an interactive process tool map
- videos and other communications.

We continued to work closely with financial counsellors through their national and state bodies, and extended our partnerships with legal, migrant and other support services such as community workers. These services provide support and casework for vulnerable and disadvantaged people, including Aboriginal and Torres Strait Islander peoples.

**Process improvements**

We focused on consulting and informing stakeholders including staff about our process improvements to enable faster and easier dispute resolution.

Our Consumer Liaison Group provided valuable stakeholder views from user groups, and our members gave us important feedback after taking part in several pilots and trials of new process initiatives. As a result of this and staff engagement, we modified and improved our original proposals to ensure they work more effectively for applicants and FSPs.

**Our Terms of Reference**

FOS operations are governed by our published Terms of Reference, which sets out the principles for how we operate, our rules and processes.

The most recent version of our Terms of Reference was released on 1 January 2015 following stakeholder consultation and ASIC approval.

Many of the changes in the Terms of Reference were made in response to recommendations in the independent review and support our new dispute process (see [www.fos.org.au/tor](http://www.fos.org.au/tor)).
## 2014-2015 performance against our strategic measures


<table>
<thead>
<tr>
<th>Strategic focus</th>
<th>Success measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Delivering a more efficient and effective dispute resolution service</strong></td>
<td><strong>Applicant satisfaction</strong>&lt;br&gt;Percentage of applicants who report a satisfactory or better dispute resolution experience at FOS.</td>
</tr>
<tr>
<td><strong>Clearance ratio</strong>&lt;br&gt;A retrospective indicator that compares how many disputes we closed with how many we received.</td>
<td><strong>Projected overload</strong>&lt;br&gt;An indicator that estimates how many currently open cases will not be closed within our 6, 12 and 24 month standards.</td>
</tr>
<tr>
<td><strong>Age profile of open disputes</strong>&lt;br&gt;2014-2015 - Percentage of open disputes that are less than or equal to 365 days old. 2015-2016 - Percentage of open disputes that are less than or equal to 180 days old.</td>
<td><strong>Time to close disputes</strong>&lt;br&gt;The age profile of closed disputes.</td>
</tr>
<tr>
<td><strong>Disputes closed per quarter per dispute FTE</strong>&lt;br&gt;This provides a measure of the dispute handling process at FOS. It does not account for changes in product type or dispute complexity.</td>
<td><strong>Stakeholder engagement survey responses</strong>&lt;br&gt;2014-15 - Qualitative assessment of stakeholder satisfaction with level and quality of engagement in the Dispute Process Reform program implementation. 2015-16 - Measure overall satisfaction that FOS is meeting the needs of stakeholders.</td>
</tr>
<tr>
<td><strong>Ensuring organisational development and sustainability</strong></td>
<td><strong>Staff engagement score</strong>&lt;br&gt;Survey responses measuring the level of staff engagement and alignment with our values and behaviours.</td>
</tr>
<tr>
<td><strong>Environment audit rating</strong>&lt;br&gt;The National Australian Built Environment Rating System (NABERS) rating of organisation’s impact on the environment.</td>
<td><strong>Corporate Full Time Equivalent (FTE) to total FTE</strong>&lt;br&gt;The percentage of support staff (corporate) to staff directly involved in dispute resolution &lt;=15%.</td>
</tr>
</tbody>
</table>
### 2014-2015 performance against our strategic measures

|--------------------|---------------------------|
| Applicant satisfaction level: Registered disputes: **95%** applicants satisfied Closed disputes: **75%** applicants satisfied Discontinued disputes: **70%** applicants satisfied | Applicant satisfaction results have improved since last reported. In 2014-2015:  
» **94%** of applicants with registered disputes were satisfied with their dispute resolution experience.  
» **73%** of applicants who have disputes closed were satisfied with their dispute resolution experience.  
» **52%** of applicants with a discontinued dispute were satisfied with their dispute resolution experience. |
| ≥ 103% | 112%  
Our clearance ratio has increased significantly over the last 12 months as we eliminated our dispute backlog. |
| ≤ 0 | -6,472 |
| ≥ 95% | 97% open disputes are less than or equal to 365 days old. |
| 80% ≤ 180 days  
95% ≤ 365 days | 83% of disputes were closed within 180 days.  
95% of disputes were closed within 365 days. |
| ≥ 26 | 27.02 |
| Stakeholders indicate they are satisfied with the level and quality of FOS engagement with them as part of the Dispute Process Reform program | Respondents across 2 pulse surveys rated their satisfaction with the level and quality of engagement with them as part of the Dispute Process Reform program as >7. This is on a scale of 0 (extremely dissatisfied) to 10 (extremely satisfied). |
| ≥10% increase in the number of FOS staff who report feeling engaged in the workplace |
| ≥5 star rating | 5 star rating |
| ≤ 15% | 15% |
Contact us

Our website contains comprehensive information about our services. You can also contact us by phone, email or mail.

Website www.fos.org.au
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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 services providers (FSPs) operating in Australia.

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