



# Annual Review

snapshot 2016-17

# Message from the Chief Ombudsman



In 2016-17, we handled record dispute numbers and further extended our reach and accessibility while contributing to the Ramsay Review panel and its recommendations for a new single external dispute resolution body.

The changes we made to our dispute process in 2015 enabled us to further reduce timeframes without compromising quality. This means that people can have their cases resolved more quickly and get on with the rest of their lives.

A major challenge was the increase in disputes received (from 34,095 to 39,479). In response, we recruited additional staff and moved staff to areas of higher dispute volumes.

A key focus again this year was on systemic issues. We identified and referred 192 possible systemic issues to financial services providers (FSPs) for response and resolved 84 definite systemic issues.

To assist people having difficulty registering their dispute, we introduced 'live chat' to enable them to deal with us in real time.

We continued working to improve communication with our members and community organisations, and to make our service as open and accessible as possible.

An important part of improving our service is understanding that every person who comes to us has specific circumstances that we need to consider. In 2016-17, for the first time, we encouraged applicants to identify if family violence was a factor in their dispute. A key achievement was completing our Reflect RAP (Reconciliation Action Plan) and having it endorsed by Reconciliation Australia.

I want to thank FOS staff for their continued commitment, expertise and professionalism and also acknowledge the support of the FOS Board and that of a wide range of industry and consumer stakeholders.

In recent years we have made many changes to the way we work to improve the important service we provide to the Australian community. We are committed to continuing to do so as part of the government's broader reforms to financial sector dispute resolution.

**Shane Tregillis**  
Chief Ombudsman

# Financial dispute resolution: the review timeline

## April 2016

The Government announces it is commissioning a review of the financial system's external dispute resolution and complaints framework. In May 2016, it appoints the review panel, consisting of Professor Ian Ramsay (Chair), Ms Julie Abramson and Mr Alan Kirkland.

## October 2016

Our submission to the panel recommends building on the principles of fairness, openness, simplicity and adaptability in the ombudsman model by consolidating existing schemes, expanding our small business jurisdiction, reviewing the monetary limits for consumer jurisdiction, enhancing our powers and introducing a compensation scheme of last resort.

## December 2016

The panel releases its interim report and finds that industry ombudsman schemes have many strengths but reforms are needed to improve outcomes for consumers, and that monetary limits and compensation caps for consumers and small businesses are outdated and impeding access to justice, and these need to be increased.

## February 2017

Our response includes analysis showing that claims limits and compensation caps for consumers and small business need to be significantly increased.

## May 2017

The panel releases its final report, and the Government accepts all of its 11 recommendations. The Government announces the establishment of a single, independent financial services dispute resolution body, to be known as the Australian Financial Complaints Authority (AFCA), for financial and superannuation disputes, based on the key features of the industry ombudsman model. It is due to be operational by 1 July 2018.

All financial firms that deal with consumers, including superannuation funds, will be required by law to be members of AFCA.

Also in May 2017, the panel releases a consultation paper on a compensation scheme of last resort and issues involved in providing redress for past disputes. Our submission, made in June 2017, seeks a scheme that provides a material degree of protection for individuals and small businesses who have not been paid an eligible determination owed to them by an FSP, has minimal complexity and ease of access for eligible consumers and covers compensation owed by providers of all financial services.

## September 2017

Legislation was introduced to Parliament in September 2017. The panel's report on the compensation scheme of last resort and related issues, and the Government's response to it, are expected later in 2017.

# 2016-17 at a glance

Performance compared with last year

Total disputes received

39,479  16%

Total disputes closed

39,481  20%

Financial difficulty disputes accepted

2,742  5%

Systemic issues resolved

 66

Number of investigations of alleged breaches of industry codes of practice (with 133 confirmed breaches)

273

Number of members



Licencees:

5,621  2%

Phone calls handled by our contact team



235,372  10%

Authorised credit representatives:

7,801  3%

Visits to our website



675,246  13%

# Key facts and statistics

## Disputes received

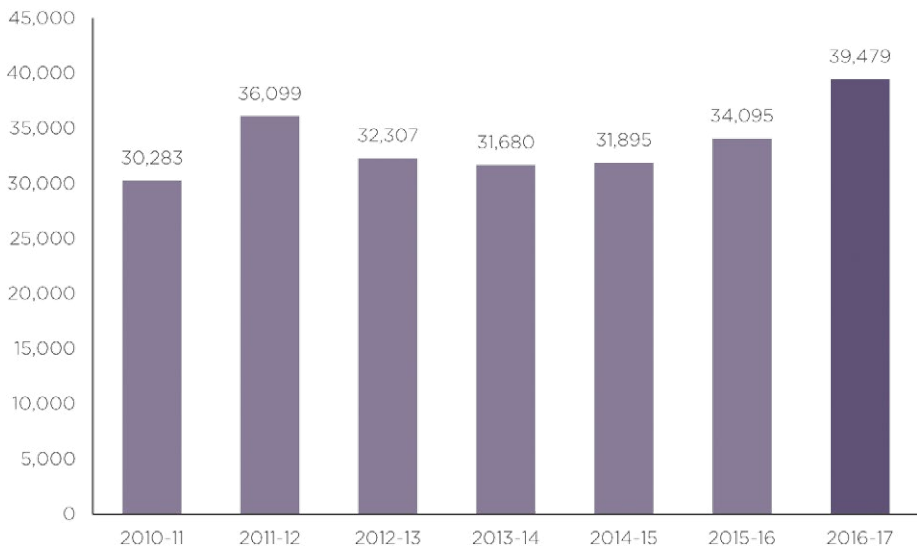
We received a record 39,479 disputes in 2016-17. This was a 16% increase from last year, after the 7% increase from 2014-15. This followed three years of stable dispute numbers.

The increase in 2016-17 was driven by ongoing increased consumer awareness and a continuation of industry-specific issues in general insurance. These include a higher number of claims, organisational changes and outsourcing, all of which may have affected insurers' internal dispute resolution.

The number of general insurance disputes received increased by 2,612, accounting for about 38% of the overall increase. There was also a large rise in deposit-taking disputes received.

The proportion of disputes resolved when referred back to financial firms increased to 41% in 2016-17 from 36% last year (and 25% under our old process in 2014-15). These disputes are resolved by the FSP and the consumer working together. This highlights the value of FSPs considering disputes before FOS becomes involved.

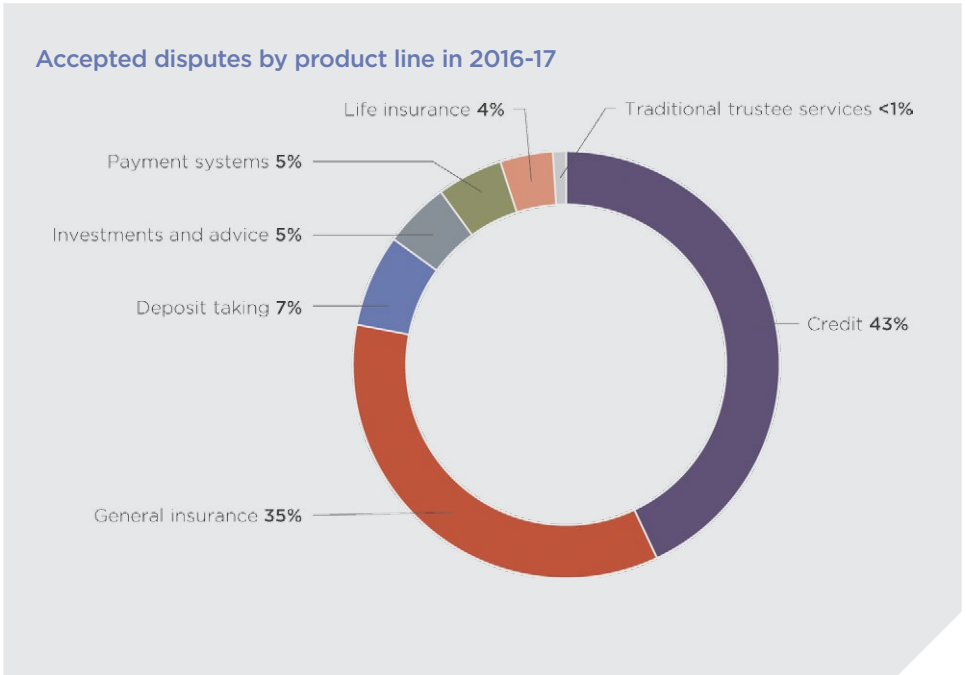
## Total disputes received by year (case count)



### Accepted disputes by product line

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

In 2016-17, credit disputes accounted for 43% of all accepted disputes (less than last year), followed by general insurance 35% (up significantly from last year).



## Disputes closed

In 2016-17, we closed a record 39,481 disputes. This was 20% more than 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 all the disputes we closed in 2016-17, more than four in ten (44% compared with 37% last year) of these disputes closed during Registration and Referral and more than half (56% compared with 63% last year) closed after they were accepted into Case Management.

### Total disputes closed by year

	Total
2012-13	33,773
2013-14	33,450
2014-15	34,714
2015-16	32,871
2016-17	39,481

## Dispute outcomes

The proportion of disputes closed by agreement between the applicant and the FSP continued the reduction of recent years, from 61% last year to 60%. The proportion of disputes resolved through a FOS decision – because an

agreement could not be reached – was 15% (the same as 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 FSP.

## Time taken to close disputes

In 2016-17, we closed more than four in ten disputes (44%) within 30 days. This is an increase of 1.4 percentage points from last year and double the result in 2014-15 (22%).

We closed more than three-quarters (78% compared with 77% last year and 61% in 2014-15) of disputes within 60 days.

We closed 86% (85% last year and 72% in 2014-15) of disputes within 90 days.

We reduced the average time to close disputes to 54 days from 62 days last year and 95 days in 2014-15. This is a reduction of 13% from last year and 43% in 2014-15.

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 1,476 referrals of possible systemic issues from FOS dispute handling teams in 2016-17 (compared with 1,635 last year). This included multiple referrals of the same issues. From those 1,476, the team identified and referred 192 possible systemic issues to FSPs for response (129 last year), and resolved 66 definite systemic issues (64 last year).

We found that more than 940,000 customers were identified by FSPs 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 FSP or been subject to ASIC involvement)
- amendment or removal of more than 2,500 credit listings.

In addition, improvements were made for customers in financial hardship and to templates for the cancellation of insurance policies. Online banking systems were improved to alert customers of incomplete account details and a committee was established to oversee complex travel insurance claims arising from medical matters.

We reported nine cases of serious misconduct to ASIC in 2016-17 (compared with five 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 the new Life Insurance Code of Practice.

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

In total, 579 FSPs subscribed to the codes in 2016-17, and as a result of the Code team's annual compliance work, these subscribers self-identified 15,236 breaches of code obligations.

The Code team conducted 273 new investigations into allegations that an FSP had breached one or more code obligations, and as a result of these investigations, 133 breaches were confirmed. 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 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 2016-17, we focused on helping people understand and use our service, establishing and strengthening community partnerships, sharing our experience with members, and supporting vulnerable applicants.

### *Sharing our knowledge and expertise*

Key activities included:

- hosting our National Conference in Melbourne, attended by more than 470 members, professional associations, regulators and consumer advocates, with the theme of how the industry can deliver on its customer service promises
- explaining and discussing with insurers landmark decisions, especially regarding mental illness exclusions
- delivering policy submissions, especially on the review of the financial system's external dispute resolution and complaints framework
- hosting a total of 22 open forums, engaging with 812 members

- working with FSPs and ASIC on major remediation schemes that compensate consumers who suffer loss.

### *Improving accessibility*

We worked to improve the accessibility of FOS and support vulnerable people by:




- completing our Reconciliation Action Plan (RAP) and having it endorsed by Reconciliation Australia. The RAP outlines 16 key initiatives that will help us grow as a culturally competent organisation
- encouraging applicants to tell us if family violence is a factor in their dispute and establishing partnerships with expert services as part of our work in response to the Victorian Royal Commission into Family Violence
- publishing a practical guide for staff working with older applicants who may be victims of financial abuse
- translating more material into community languages including developing a new Auslan video
- attending 34 community outreach events and engagements across the country.

### **Our Terms of Reference**

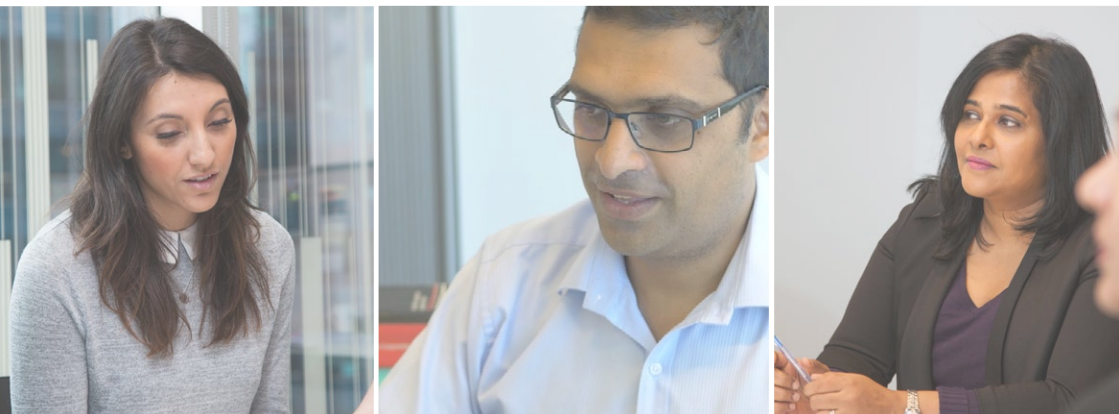
FOS operations are governed by our Terms of Reference, which sets out the principles for how we operate, our rules and processes (see [www.fos.org.au/tor](http://www.fos.org.au/tor)).

# Our strategic measures

Our performance against the 2016-17 strategic measures is summarised in the following table.

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

2016-17 targets	2016-17 performance
70% of applicants are satisfied with how FOS handled their dispute	70%
≥103%	99%
95% are less than or equal to 180 days old	81% are less than or equal to 180 days old
95% are closed in less than or equal to 180 days	91% are less than or equal to 180 days old
≥26	22.56
≥7.0 on a scale of 0 (extremely dissatisfied) to 10 (extremely satisfied) are satisfied that FOS is meeting their needs	This survey is conducted every two years and was last conducted in 2016
≥10% increase in the number of FOS staff who report feeling engaged in the workplace	7.1% increase in the number of FOS staff who report feeling engaged in the workplace
≥5 star rating	5 star rating
≤15%	14.5%



## Contact us

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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, general insurance, investments and advice, payment systems, deposit taking, life insurance and traditional trustee services.