

# **BULLETIN NO 2**

**FEBRUARY 2003**

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## **EFT Disputes and Financial Hardship**

We have been advised by community legal services and Members of Parliament that a growing number of people with EFT disputes are experiencing financial hardship while they wait for financial institutions to investigate their claims. The situation usually arises where, as a result of ATM shortpays, cardholders have no cash and little or no balance left in their accounts.

The same problem could also arise, however, in the context of unauthorised withdrawals from a cardholder's account.

## **The EFT Code of Conduct**

The EFT Code of Conduct sets out the timeframes within which financial institutions should:

- Acknowledge receipt of an EFT dispute;
- Complete its investigation of a dispute; and
- Advise the cardholder in writing of the outcome of the investigation.

The EFT Code requires a response in writing within 21 days but it does not require an investigation to be completed within 21 days. The response may be to advise the need for more time, in which case the Code allows 45 days to complete an investigation. In exceptional circumstances, an investigation may take longer than 45 days provided that the account institution gives reasons for the delay and provides monthly updates on progress.

It is our experience that most financial institutions have adequate systems in place to ensure that they comply with these timeframes and, in many cases, disputes are resolved in a matter of days.



However, even if the timeframes set out in the EFT Code are complied with, there is a small number of cardholders who experience financial difficulty while the financial institution is conducting its investigation. This is particularly true in cases where the ATM in question is owned by a financial institution other than the institution that issued the card. In these cases, the cardholder's Credit Union must wait for information from the other financial institution before reaching a view on the claim.

### **Good Industry Practice**

At times, cardholders in financial difficulty ask their Credit Union to place a temporary credit on their account until the investigation is completed. It appears that Credit Unions may not have formal policies in place to deal with such requests.

This office is of the view that there is a need for some consistency of approach to this matter and that all Credit Unions, if not already doing so, should develop policies for dealing with requests for assistance from cardholders.

We acknowledge that in some circumstances, claims for financial loss are not genuine and Credit Unions could be exposed to risk if they were required to immediately place temporary credits to accounts upon receipt of all EFT disputes. Therefore, a degree of staff discretion could be retained in a Credit Union's approach to these cases.

The following factors should be taken into account when Credit Unions are reviewing their approach:

- All requests for temporary credits or overdrafts pending the outcome of investigations should be given consideration by appropriate staff;
- Staff should be given authority to exercise their discretion to approve requests for temporary relief in certain circumstances;
- Specific internal guidelines should be developed to assist staff to exercise their discretion in an informed manner; and

- Systems should be put in place to enable assistance to be given to cardholders promptly.

### **Contact with CUDRC**

If you would like to provide written comment on the content of the Bulletin, your contribution is welcomed and should be addressed to:

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