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NEWS

Warning: ASIC to review internal dispute resolution process

ASIC has announced it intends to conduct onsite reviews of the internal dispute resolution (IDR) process across a range of financial services sectors, including processes, practices, resourcing, communications, governance and reporting. Partner Selina Nutley warns financial services firms should be prepared to engage with ASIC about its review of IDR and complaint handling standards.

ASIC'S REPORT

ASIC has released its findings into the consumer experiences of the IDR process across a range of financial service sectors. ASIC Report 603 follows its 2017 review into the financial system's external dispute resolution (EDR) and complaints framework, and is the first step in a body of work ASIC is undertaking to raise IDR standards and transparency across the financial services sector.

Financial services and credit licensee firms are required by law to have an IDR framework which complies with regulatory requirements set by ASIC. They must also have membership of an EDR scheme to deal with complaints they are not able to resolve internally.

The Report details each stage of the consumer's IDR journey, obstacles experienced by consumers, and case studies, and provides a more comprehensive understanding of why many consumers consider making a complaint but do not proceed to IDR.

THE RESEARCH

The Report was largely driven by the discovery that of the 3.2 million Australians who considered making a complaint to a financial service provider in the 12 months preceding the research, only 1.5 million (around 46 percent) did so. In addition, of those consumers who made a complaint and commenced the IDR process, 18 percent withdrew their complaint before it was concluded.

The Report focuses on examining two types of participants: actual complainants and consumers who considered making a complaint but did not action it with the financial service provider (referred to as "considerers"). The research was conducted across a range of financial service provider sectors, including banking, credit, general insurance, life insurance, financial advice, and superannuation.

COMPLAINANTS

The Report identifies the most common obstacles faced by complainants throughout their IDR journey and categorises the key findings as follows:

- Structural difficulties—
 - complainants experience difficulty in finding the firm's contact details in order to make a complaint
 - having to follow up too many times, and
 - talking to too many contact people.
- Transparency—
 - around 26 percent of complainants did not have the IDR process explained to them at first contact, and almost a third did not have the expected timings of the IDR process explained
 - lack of updates on progress of the complaint
 - uncertainty of how long it would take to receive a decision, and
 - of the complainants who received an unfavourable outcome, only 45 percent were provided with an explanation of the outcome.
- Customer service—
 - unhelpful staff, and
 - complainants felt they were not being listened to, heard, or taken seriously.

ASIC is particularly concerned that a large number of consumers were not provided with an explanation of the decision made against them by a firm. ASIC notes this is an essential step in assisting consumers to escalate their complaint to an independent and external forum which, since 1 November 2018, is the Australian Financial Complaints Authority (AFCA).

CONSIDERERS

The most common reason for consumers not actioning a complaint and commencing IDR was their belief it would not make a difference.

Other reasons included—

- a perception the financial service provider would make life difficult for potential complainants
 - lack of faith in the system and providers themselves, and
 - not having the time, or thinking it was not worth the time to complain.
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WHAT SHOULD YOU DO NEXT?

In light of the release of the Hayne Commission's Final Report, financial services firms are well advised to review the findings in the Report and consider whether their IDR procedures and frameworks could be enhanced to improve the overall experience for consumers. Our team can help with your review and help you to understand ASIC's objectives and requirements.



SELINA NUTLEY

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