



Member forum

Small Business

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Today's session includes



Overview and statistics



Operational update



Current Themes-Scams
Financial Difficulty



Fairness Jurisdiction

Small Business

Dedicated resourcing

- > New senior Ombudsman and new Ombudsman
- > Increased specialisation – Small business, transactions and scams
- > Closer partnering between Ombudsmen & case management teams
- > Integration of Fast Track and Standard & Complex teams (processes remain distinct)

What type of complaints have we seen in the last year?

Insurance- BI, Natural Disasters



Year at a glance

Between 1 July 2020 to 30 June 2021



Complaints received

70,510

complaints received



12%

decrease in complaints compared to 2019-20



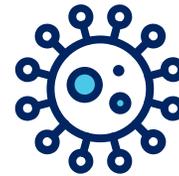
76%

of complaints lodged online



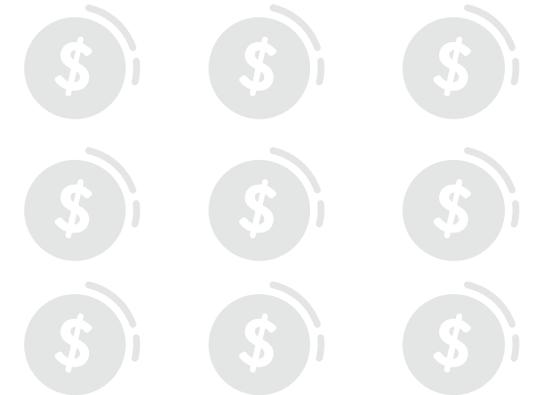
3,562

complaints from small businesses



8,303

complaints related to COVID-19



7.35%

complaints involved financial difficulty

Products complained about



42,261

Banking and finance



16,912

General insurance



5,249

Superannuation



3,888

Investments and advice



1,623

Life insurance

Small Business



Priorities for the year ahead:

- > Review and update approach documents- Scams, Inappropriate lending
- > Resolve aged complaints and reducing 'time to clear'
- > Stakeholder engagement

Systemic Issues – Year at a glance



AFCA Annual Review FY20/21

Identified **1086** potential systemic issues

Reported **36** possible serious contraventions to regulators.

Referred **147** systemic issue investigations to financial firms

Identified and investigated systemic issues resulting in the remediation of **357,959** consumers.

Reported **55** definite systemic issues to regulators

Resolved **59** definite systemic issues with financial firms

Ensured more than **\$31 million** in refunds were made.

Systemic Issues in Small Business



AFCA Annual Review FY20/21

Identified **644 banking and finance** potential systemic issues, approximate **70*** relating to small business

There were no complaint themes linked to Definite Systemic issues sent to regulators relating to small business

Reported **30 banking and finance** definite systemic issues, **zero** relating to small business

Inappropriate lending or incorrect fees/costs formed the basis of most referrals for investigation relating to small business including business loan products

**Referrals relating to all business finance/loans, business transaction accounts and business guarantees*

Small business complaints

Between 1 July 2020 to 30 June 2021



Complaints received

3,562 complaints received

27% resolved at Registration and Referral stage ²

Top five small business complaints received by product ¹

Product	Total
Business loans	1,419
Business transaction accounts	641
Commercial property insurance	230
Business credit card	192
Loss of profits/business interruption insurance	170

Top five small business complaints received by issue ¹

Issue	Total
Financial firm failure to respond to request for assistance	326
Service quality	300
Denial of claim – exclusion/condition	227
Default listing	167
Decline of Financial Difficulty Request	159

Complaints closed

4,712 complaints closed ³

Average time to close a complaint
244 days

Resolution Rate at IDR Referral
42%

Resolution Rate at Post-IDR
28%

Stage at which small business complaints closed

Stage	Total
At Registration	1,250
At Case Management	2,030
Preliminary Assessment	342
Decision	522

Average time taken to close banking and finance complaints

Time	Total
Closed 0–30 days	13%
Closed 31–60 days	19%
Closed 61–180 days	32%
Closed greater than 180 days	35%

¹One complaint can have multiple products/issues.

²52% of these had been lodged at IDR Referral, 47% at Post-IDR Referral, and 1% were Closed Before Referral.

³This includes 2,154 received before 1 July 2020, and 2,558 received from 1 July 2020 to 30 June 2021.

RG271

- > Regulatory Guide 271 came into effect on 5 October 2021 and AFCA is applying this as part of its dispute resolution process
- > In September we held a joint webinar with ASIC to discuss these changes and have member resources on changes to our process which you can access [here](#)
- > Early insights is that this has been a relatively seamless transition at AFCA.
- > We have only received a handful of requests for extension of the 30 day timeframe from firms.
- > IDR referrals for FY 20/21 were at 52% for Small Business complaints lodged in Registration - we are closely monitoring resolution rates/non-responses/progression of cases to case management
- > AFCA will be reporting quarterly to ASIC in relation to RG271 firm performance



Scam complaints



Scams

- > Since July 2021, AFCA has received on average 302 scam complaints per month
- > On average, 153 scam complaints progress to workflow / case management
- > 326 conciliations conducted on scam complaints, of which 176 have resolved
- > Since July 2021, 58 determinations issued on scam complaints

Trends in scam complaints impacting small businesses

- > Business email compromise complaints
- > Merchant chargebacks received for unauthorised transactions

Financial Difficulty

- > Common Issues
- > How to work with Small Business
- > A financial firm should genuinely consider any request for assistance from a small business customer
- > Debts arising under a guarantee



Fairness Jurisdiction Project



We have finalised our project

- > Our aim was to create a framework for how we would operate within our fairness jurisdiction, making decisions and providing our dispute resolution in a fair, independent and consistent way.
- > We have:
 - described and benchmarked our fairness jurisdiction both domestically and internationally
 - built a framework to assist AFCA staff to consistently apply the fairness jurisdiction in our complaint handling
 - articulated how the parties should engage with each other and AFCA to ensure a fair process
 - explained our approach to delivering fair outcomes; and
 - designed systems to calculate and capture fair outcomes once achieved.
- > We thank all of our stakeholders who we engaged with during 2019 to 2021 for their thoughtful feedback which helped shape our work and considerations.

Fairness Jurisdiction Project



AFCA Engagement Charter

- > Most recently, we have launched the AFCA Engagement Charter.
- > The Engagement Charter shares AFCA's values and outlines the behaviour we expect from financial firms, complainants and AFCA employees when resolving disputes.
- > It is a living document that makes the roles, responsibilities and expectations of each party more explicit so that our stakeholders have a shared understanding of good conduct.

See more

www.afca.org.au/engagement-charter

Engagement Charter

Purpose

AFCA's Engagement Charter outlines AFCA's expectations about how people using our service will engage with us and each other during our complaint resolution process. It also describes the service standards others can expect from AFCA.

It is a living document, based on core principles and designed to respond to an ever-changing financial landscape. We may amend and expand on the principles set out in this document from time to time.

AFCA's role

AFCA's purpose is to provide fair, independent and effective solutions for individuals and small businesses who have a complaint about a financial product or service.

AFCA has a specific and important role assisting individuals and small businesses to resolve complaints about financial services and products. We are:

- impartial and independent – we do not advocate for either party or their position.
- fair and focussed on dispute resolution outcomes – if everyone cannot come to an agreement, it is our role to decide an appropriate outcome.

AFCA's vision is to be a world class ombudsman service, by:

- raising standards and minimising complaints
- meeting diverse community needs; and
- being trusted by all.

AFCA's jurisdiction

Our **Rules** set out the complaints we can consider, the procedures we use to resolve complaints and the remedies we provide. Our **Operational Guidelines** and **Transitional Superannuation Guidelines** set out how we interpret and apply our Rules.

We can consider a broad range of financial complaints, including:

- errors in banking transactions and credit listings
- difficulty repaying loans, credit cards and short-term finance
- denial of an insurance claim (such as car, home and contents, pets, travel, income protection and trauma)
- investment and financial advice
- a trustee's decision in relation to the administration of a superannuation account including distribution of a death benefit.

Purpose Engagement charter 1

Fairness Jurisdiction Project



Approach to Terms of Settlement

- > Most recently the final element of the fairness framework has been completed.
- > Ensuring that the parties capture and document fair outcomes when complaints are resolved is an important aspect of our fairness jurisdiction.
- > ASIC also requires us to report when terms of settlement are unfair or inappropriate.
- > AFCA's revised Approach to Terms of Settlement has been published and includes information about how to prepare terms of settlement and how terms of settlement can affect a further or current complaint with AFCA.
- > We are taking feedback until 8 December 2021.

See more

www.afca.org.au/about-afca/publications/approach-terms-of-settlement

Thank you

