



**CUSTOMER OWNED BANKING
CODE COMPLIANCE COMMITTEE**

ANNUAL REPORT

2013 – 2014

**Customer Owned Banking
Code of Practice**

10 December 2014

CONTENTS

INTRODUCTION	3
2013–14: YEAR AT A GLANCE	4
The Committee’s Code monitoring and compliance activities	4
Code Subscribers’ Code monitoring and compliance outcomes	4
FOREWORD	5
ABOUT THE CODE	6
ABOUT THE CODE COMPLIANCE COMMITTEE	7
COMMITTEE MEMBERS AND SECRETARIAT STAFF	8
MONITORING CODE COMPLIANCE	9
Annual Compliance Statement program	9
Verification program	9
ANNUAL COMPLIANCE STATEMENT OUTCOMES	10
Self-reported Code breaches	10
Self-reported significant breaches	13
Code Subscribers’ compliance initiatives	14
Internal Dispute Resolution complaints	15
INVESTIGATIONS	20
Investigations – case work	20
Own Motion Inquiry (financial difficulty)	21
ENGAGING WITH STAKEHOLDERS	23
Stakeholder liaison	23
Publications	23
2014–15 FUTURE OUTLOOK	24
Code monitoring and transition	24
Investigations	24
Consumer engagement strategy	24
APPENDIX A: Code Subscribers as at 1 December 2014 as provided by COBA	25
APPENDIX B: Transitioning to the revised Code by Code Subscribers	26
APPENDIX C: Comparative table – self-reported Code breach data 2011–2014	28
APPENDIX D: Significant breaches reported by Institutions in 2014	30
APPENDIX E: Comparative table – Internal Dispute Resolution data 2012–2014	32
APPENDIX F: Additional tables – complaints and breach data 2011–2014	33

INTRODUCTION

Welcome to the 2013–14 Annual Report for the Customer Owned Banking Code Compliance Committee (the Committee). The report reviews the Committee’s work to improve standards of practice and service in the Australian customer owned banking sector, undertaken in collaboration with 89 customer owned banking Institutions¹ from around Australia.

This report honours the [Committee’s](#) reporting obligations under the Customer Owned Banking Code of Practice ([the Code](#)).² It reviews its key Code monitoring activities from 1 July 2013 to 30 June 2014 and analyses aggregated industry data to assess compliance with the Code’s standards. It also shares the Committee’s experience of good industry practice and the initiatives of customer owned banking Institutions (Code Subscribers) to improve standards of practice and service in 2013–14.

Identifying, self-reporting and remedying non-compliant activity with any code of practice are critical for a successful self-regulatory framework. The Committee has encouraged a positive culture of self-reporting by Code Subscribers so that it can work with the industry in a timely and responsive way to reduce risk and improve service delivery. The Committee acknowledges the cooperation of the Customer Owned Banking Association (COBA) and Code Subscribers in this endeavour.

The data described in this report has been collated from the Annual Compliance Statements (ACS) of the customer owned banking Institutions that voluntarily subscribed to the Code in 2013–14, a review of Code Subscribers’ internal breach reporting and monitoring programs and the Committee’s investigations into alleged breaches of the Code.

¹ Formerly referred to as credit unions, mutual banks and mutual building societies.

² Section E 4 of the Code and clause 13 of the Code Charter.

The Committee's Code monitoring and compliance activities

Successfully adopted the revised Code

The Committee supported Code Subscribers to successfully transition to the revised Code, which came into operation on 1 January 2014, and aligned Code monitoring functions and governance structures with the Code's new framework, including the development of a new logo.

See page 6 and [Appendix B](#) →

Analysed 89 Annual Compliance Statements

The ACS program assessed how effectively Code Subscribers transitioned to the revised Code and complied with their Code obligations.

See page 9 →

Reviewed monitoring & compliance systems

Twelve Code Subscribers took part in the Committee's Verification program to review their systems, discuss Code compliance issues and share examples of good practice.

See page 9 →

Investigated standards of service

The Committee's inquiry examined whether Code Subscribers are meeting Code obligations to help their customers who are experiencing financial difficulties – overall the Committee found they work with their customers and met their obligations.

See page 21 →

Investigated five alleged Code breaches

These investigations examined alleged breaches of the Code and identified two breaches, which were subsequently remedied.

See pages 20–21 →

Engaged with stakeholders

The Code Secretariat created more opportunities to engage with consumer advocates, Code Subscribers and regulators, attending numerous meetings and conferences and publishing five editions of the e-newsletter *Accomplish*.

See page 23 →

Received 13 general enquiries

Most enquiries were from Code Subscribers requesting information about the revised Code and any significant changes in its requirements, transition rules for disclosure and available training.

Promoted Code obligations & responsibilities

The Committee raised awareness of codes of practice among consumer advocates and financial counsellors through training initiatives, presentations and the publication of easy to use guides.

See page 23 →

Code Subscribers' Code monitoring and compliance outcomes

Self-reported 800 Code breaches

▼13%

Code breaches related primarily to Privacy, Chargebacks and Training obligations. 370 Code breaches were identified from internal analysis of customer complaints; all were remedied.

See pages 10–12 and [Appendix C](#) →

Self-reported 6 significant Code breaches

Breaches related primarily to notification of changes to accounts and electronic provision of statements and notices. Five Code Subscribers reported significant breaches; all were remedied.

See page 13 and [Appendix D](#) →

Self-reported 12,409 internal dispute resolution complaints

▼14%

Complaints mainly related to payment systems and service standards. Most complaints were resolved in favour of the customer or by mutual agreement within five days.

See pages 15–19 and [Appendix E](#) →

Improved Code compliance frameworks

Code Subscribers introduced a range of Code monitoring initiatives, increasing the number of self-identified and reported Code breaches.

See page 14 →

The Customer Owned Banking Code of Practice came into operation on 1 January 2014, with important consequences for service providers and consumers – and for Code governance.

Not surprisingly, Code transition has been a primary theme for the Committee and its Secretariat throughout 2013–14 as we worked closely with stakeholders to successfully transition to this new framework.

Over the past year, we partnered with Code Subscribers to help them align their Code monitoring and compliance processes with the revised Code by 1 July 2014 – the deadline set for adoption of the Code. Code Subscribers were cooperative and forward thinking in their approach, with many seizing the opportunity to introduce innovative and sophisticated monitoring and compliance systems as well as reinforce existing ones. Most Code Subscribers have advised us that they have successfully aligned their operations to the Code's revised obligations; the remaining few are finalising processes and procedures. All are to be commended for their efforts, and for their ongoing commitment to upholding their sector's Code.

This commitment was evident in the majority of Code Subscribers' responses to our ACS program, which provides valuable insights into Code compliance, emerging risks and potential areas for industry improvement.

Code Subscribers collectively reported 800 breaches of the Code, a 13% decrease on breach numbers reported in the previous year. Of these, 430 were identified through quality assurance programs, the remainder through internal analysis of customer complaints – all breaches were remedied. Importantly, Code Subscribers reported a corresponding decrease in customer complaints. These are welcome results, demonstrating that Code Subscribers are working hard to achieve Code compliance and a better banking experience for customers. The number of Institutions reporting nil breaches has increased from 35 to 39 over the last 12 months, including 15 Institutions who are yet to report a breach over the four years of ACS data collection. We will continue to work with Code Subscribers to refine compliance processes and to embrace a culture of positive breach reporting.

Customers remain at the heart of our work with the sector to achieve service standards people can trust. In 2013–14 we collaborated with a range of consumer representatives to raise awareness of the strengthened consumer protection provided by the revised Code. Our Code training sessions for financial counsellors were particularly effective, with participants now using their knowledge to better advise their clients.

It has been a year of transition for Code Subscribers, but also for the Committee. In 2013–14 we reviewed and aligned our processes and procedures to the governance structure created under the revised Code. The Committee is now operating under its new charter, which has given our governance arrangements greater transparency and clarity, as well as a distinctive new brand. Our new logo reflects these changes, including the shift in language to 'customer owned banking' to identify and define the sector.

The Committee would like to thank Dr June Smith and her team for the professional and dedicated way they have supported the work of the Committee. We would also like to thank Patricia Langham, founding industry representative of the Committee for her dedication and work on the Committee over the past four years, and welcome Anita Schut as the newly appointed industry representative.

Thank you to everyone who has engaged with us over the past year. We look forward to working with you in 2014–15 as we continue to meet and exceed the Code's service standards.

Dr Sue-Anne Wallace
Code Compliance Committee
Chairperson

Dr June Smith
General Manager
Code Compliance & Monitoring

ABOUT THE CODE

The 2014 Customer Owned Banking Code of Practice came into operation on 1 January 2014, replacing the 2010 Mutual Banking Code of Practice. All Code Subscribers were expected to transition to the new Code by 1 July 2014.

The revised Code essentially restates commitments made under its predecessor, with most changes reflecting regulatory developments. Specifically it:

- increases responsibility to tailor customer service standards for customers with special needs, including the elderly, people with a disability and Indigenous Australians
- adds a reference to responsible lending laws and updates reverse mortgage obligations to refer to updated legislation
- reinforces obligations for cancellation of direct debits
- replaces references to the Electronic Funds Transfer Code of Conduct with the ePayments Code,³ and
- directs Code Subscribers to refer to regulatory guidance for advertising and online disclosure provided by the Australian Securities and Investments Commission (ASIC).

By subscribing to this Code, customer owned banking Institutions have voluntarily committed to continuously improve their standards of practice and service in their sector, promote informed decision-making about their services, and act fairly and reasonably in delivering those services.

They have also committed to deliver on their pledge to always put customers first by subscribing to the Code's 10 key promises. These promises apply to all customer owned banking services delivered to individuals and small business across Australia by Code Subscribers.

The Code's 10 key promises

1. We will be fair and ethical in our dealings with you.
2. We will focus on our customers.
3. We will give you clear information about our products and services.
4. We will be responsible lenders.
5. We will deliver high customer service and standards.
6. We will deal fairly with any complaints.
7. We will recognise our customers' rights as owners.
8. We will comply with our legal and industry obligations.
9. We will recognise our impact on the wider community.
10. We will support and promote this Code of Practice.

The Code is owned and published by the COBA – the industry advocate for Australia's customer owned banking sector – and forms an important part of the broader national consumer protection framework and financial services regulatory system. Code Subscribers as at 1 December 2014 are listed in [Appendix A](#).

³ The ePayments Code regulates consumer electronic payment transactions, including ATM, EFTPOS and credit card transactions, online payments, internet and mobile banking, and BPAY. It was formerly known as the Electronic Funds Transfer Code of Conduct (EFT Code). ASIC is responsible for the administration of the ePayments Code.

ABOUT THE CODE COMPLIANCE COMMITTEE

The Code Compliance Committee is an independent compliance monitoring body established under section 4 of the new Customer Owned Banking Code Compliance Committee Charter and part E of the Code under the authority of COBA.

The Committee's vision is to promote compliance with the Code and to help Code Subscribers meet and exceed the Code's standards of good industry practice. The Committee supports the Code's principles and commitments by promoting its benefits and seeking to influence positive changes in industry behaviour.

The Committee's work is based on five key principles:

1. **Independence** in our operations, governance and decision-making

2. **Accountability** in undertaking our functions for the benefit of the customer owned banking sector and its customers

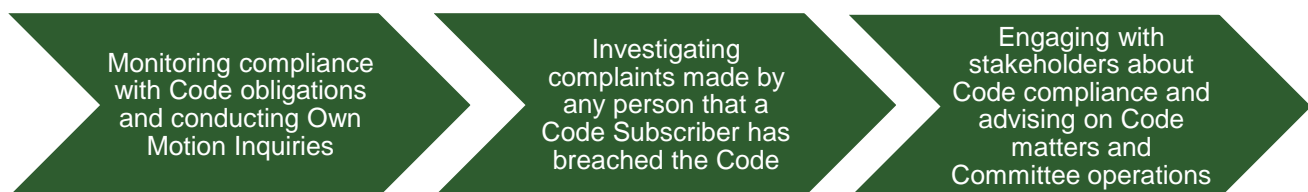
3. **Transparency** through open engagement with our stakeholders

4. **Fairness** in our deliberations and processes

5. **Accessibility** to our Code monitoring and investigation services

Committee functions

The Committee's Code monitoring and compliance activities are structured along three cores streams:



This approach allows the Committee to be strategic in assisting the sector to identify issues and emerging risks, while also dealing with individual instances of Code breaches.

Secretariat

The Financial Ombudsman Service Code team (FOS Code) continued to provide Code monitoring and administration services to the Committee and COBA by agreement. In 2013–14, the Committee met with FOS Code eight times; four of these meetings were held via teleconference.

COMMITTEE MEMBERS AND SECRETARIAT STAFF



Dr Sue-Anne Wallace

BPharm, BA (Hons), PhD,
Grad Cert Mgt, Adv Dip Arts, FAICD

Chairperson

Appointed: 26 February 2014⁴

Term expires: 26 February 2017

Sue-Anne has extensive experience in the not-for-profit sector. She is Chair of the Australian Council for International Development's Code of Conduct, Executive Chairman of Creating Australia, director of several arts organisations and a Churchill Fellow, investigating self-regulatory codes of conduct and complaints handling in the not-for-profit sector.



Professor Gail Pearson

BA (Hons), LLB, PhD

Consumer Representative

Appointed: 26 February 2014⁵

Term expires: 26 February 2015

Gail is a leading academic and author in financial services, commercial and consumer law and co-founder of the Australasian Consumer Law Roundtable. She is President of the International Association of Consumer Law and a member of the International Law Association Committee, which drafted the Sofia Principles for international protection of consumers.



Anita Schut

BA (Asian Studies), Grad Dip
Personnel Mgt

Industry Representative

Appointed: 1 January 2014

Term expires: 31 December 2016

Anita is the Compliance Manager at Maritime Mining and Power Credit Union. She has more than 12 years' experience working in compliance, including as Banking Compliance Manager for Citibank Australia, and extensive broader experience with the financial services industry, including roles in lending and human resources. Anita has completed the Australian Compliance Institute Certified Compliance Professional program.



Dr June Smith

BA (Hons) LLB, PhD

Executive Manager

Appointed: July 2011 – current

June is a specialist in integrity, governance and self-regulatory frameworks. She is a lawyer with a PhD in applied ethics and organisational decision-making within financial services organisations. Her external appointments include Chair of the Financial Planning Association of Australia's Conduct Review Commission, Chair of the Code Compliance Monitoring Committee – Australian Travel Agents Scheme, Member of Racing Victoria's Racing Appeals and Disciplinary Board, Advisory Member of the Member Compliance Committee – Financial and Consumer Rights Council of Victoria, and Alumni Ambassador – Victoria University.



Daniela Kirchlindé

BComm, Grad Dip (Finance and
Investment)

Compliance Manager

Appointed: Oct 2009 – current

Daniela has a background in dispute resolution and broad insurance industry experience in Australia, England and Germany. In addition to her Compliance Management role, she manages compliance for the Insurance Brokers Code of Practice.



Patricia Langham

Dip (Financial Advising), Grad Dip
(Financial Planning)

Former Industry Representative

Appointed: 1 October 2009

Term expired: 31 December 2013

Patricia is a founding member of the Committee and has significant experience in the customer owned banking sector through her involvement in industry working parties and senior roles with the Access Credit Union and TAFE and Community Credit Union. She is currently Western Sydney Regional Manager for Teachers Mutual Bank Limited.

→ For detailed profiles of
Committee members and Secretariat
staff, visit www.cobccc.org.au

⁴ Appointed under the revised Code (section 5.5). Previous term under 2010 Mutual Banking Code of Practice: 18 April 2013 to 18 April 2016.

⁵ Appointed under the revised Code (section 5.5). Previous term under 2010 Mutual Banking Code of Practice: 1 October 2009 to 30 September 2011, including re-appointment to 30 September 2014.

The Committee's Code monitoring function is underpinned by the ACS and Verification programs, which provide valuable information about compliance issues, emerging risks and potential areas for industry improvement.

Annual Compliance Statement program

The ACS is a self-assessment tool that helps Code Subscribers review their compliance with Code obligations every year, as required under section E21 of the Code.

The 2013–14 ACS was developed with COBA and other stakeholders to achieve a consistent compliance monitoring approach and assessed:

- how effectively Code Subscribers complied with their Code obligations during the reporting year
- the robustness of their Code compliance monitoring frameworks
- how effectively Code Subscribers monitored their compliance against Code obligations
- instances of non-compliance and how they were remedied
- emerging or significant risk to Code Subscribers' compliance with Code obligations, and
- areas of good industry practice that can be shared with the sector.

Most Code Subscribers (89%) reported that they completed the 2013–14 ACS within one day, with 33% completing it in less than one hour. They noted that classifying and categorising breaches and complaints and aligning them to the ACS's pre-defined format were the most time-consuming tasks, and appreciated the support provided by 'frequently asked questions' and guidance notes.

See pages 10 to 19 for an analysis of the aggregated data drawn from the 2013–14 ACS program.

Verification program

The Verification program tests and validates Code Subscribers' Code compliance programs, including how effectively they identify, report and remedy breaches of the Code. In 2013–14, the Committee randomly selected 12 Code Subscribers from around Australia to take part in the program.

Through its discussions with these Code Subscribers, the Committee verified that most had implemented – or were planning to implement – more complex systems to record and manage complaints and breaches. Many had also implemented initiatives to increase staff awareness of Code compliance. There was good awareness of the revised Code and most Code Subscribers were finalising their transition to the revised Code.

We identified some inconsistent and inaccurate reporting for complaints and breach data in the 2012–13 ACS. Guidance was provided in these cases. The relevant Institutions were advised that we would be keeping the format and structure of the ACS consistent from year to year to make it easier for them to provide the appropriate data.

Code Subscribers engaged positively with the program, suggesting an increased awareness of the importance of Code obligations.

ANNUAL COMPLIANCE STATEMENT OUTCOMES

The aggregated breach data in this section reflects the outcomes of Code Subscribers' internal Code monitoring activities during 2013–14, in accordance with their Code monitoring obligations. This data is collected from Code Subscribers via the ACS program.

The ACS gathers two distinct data sets: 'breaches' and 'significant breaches'. A **breach** is defined as a failure to comply with the obligations of the Code regarding the provision of a customer owned banking service. This differs to a **significant breach** of Code obligations, which is determined by reference to a number of factors including:

- similar breaches of this nature that have occurred within the Code Subscriber's organisation
- the number of customers affected
- the adequacy of organisational arrangements to ensure compliance with the Code
- the extent of customer detriment
- remedial actions and costs incurred, and
- the duration over which the breach occurred.

The Committee has been collecting significant breach data from Code Subscribers via its ACS program since 2012–13. The nature and extent of the significant breaches identified is an important indicator of Code compliance as, by definition, these breaches have the most impact on customers. Often these breaches, together with remedial actions taken by Code Subscribers, have been previously reported to ASIC. The role of the Committee is not to duplicate this regulatory action but to work with Code Subscribers to ensure they comply with relevant Code obligations.

Thirty-nine Code Subscribers reported no breaches of the Code in 2013–14, four more than in the previous reporting period. Fifteen Code Subscribers are yet to report a breach over the four years of ACS data collection (see [Appendix F](#)). The Committee will continue to help these Code Subscribers with their compliance processes to ensure that current breach reporting reflects a true position of their performance.

Self-reported Code breaches

Key findings

- 800 Code breaches were self-reported by Code Subscribers, a decrease of 117 (13%) on the 917 breaches reported last year.
- Two Code Subscribers collectively reported 387 breaches (302 and 85), which accounted for 48% of the total breaches reported in 2013–14. 167 (36%) of these breaches related to chargebacks (section D21) and 83 (18%) of these breaches related to account access and suitability – third party products (section D13).
- 430 (54%) of the 800 breaches reported were identified through quality assurance programs.
- The remaining 370 (46%) were identified as a result of customer complaint investigations.
- 50 of the 89 Code Subscribers reported Code breach activity (56% compared to 62% in 2012–13).
- Nine Code Subscribers collectively accounted for 559 (70%) of the total breaches.

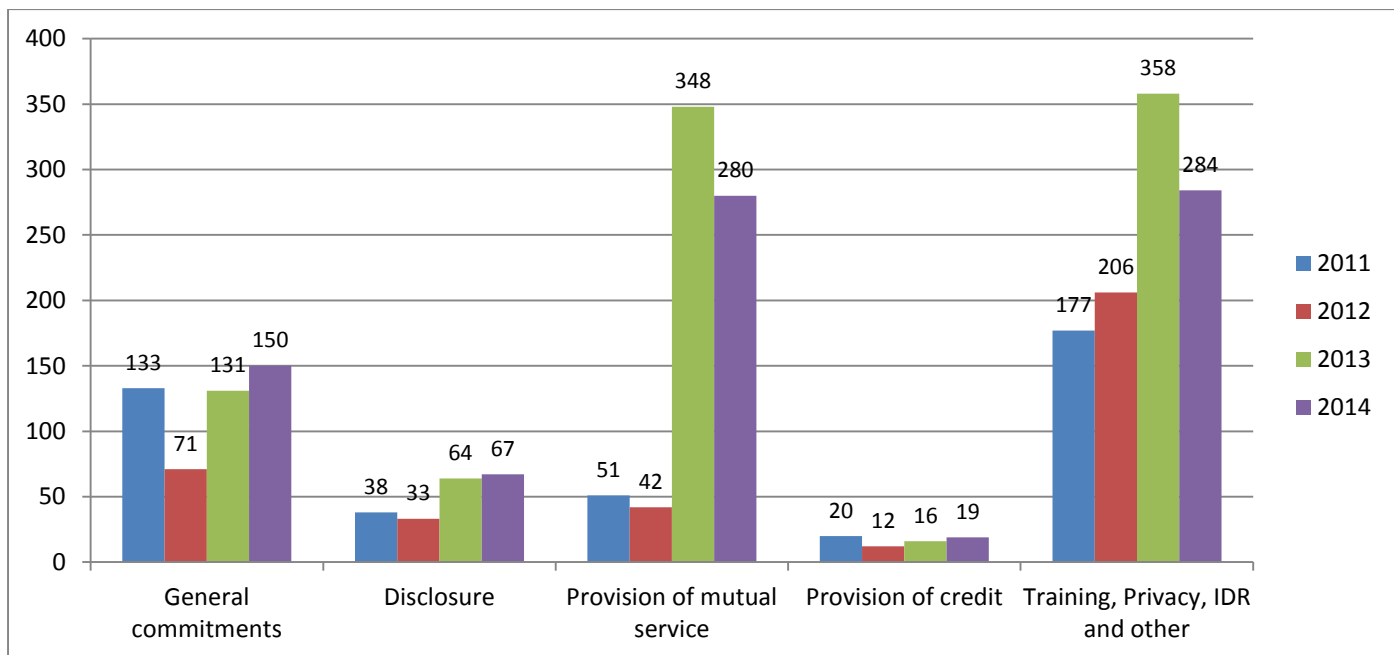
Self-reported Code breaches by category

Chart 1 below identifies the total number of self-reported Code breaches across five broad categories of Code obligation. These breaches are compared to the number of breaches reported in the same categories for the previous three reporting years. The chart shows that most instances of non-compliance with Code obligations related to:

- ‘**Training, Privacy, Internal Dispute Resolution (IDR) and other**’ (284 breaches or 36%), and
- ‘**Provision of mutual service**’ (280 breaches of 35%).

Together these represented 71% of the total number of breaches reported.

Chart 1: Self-reported breaches by Code category 2011–14



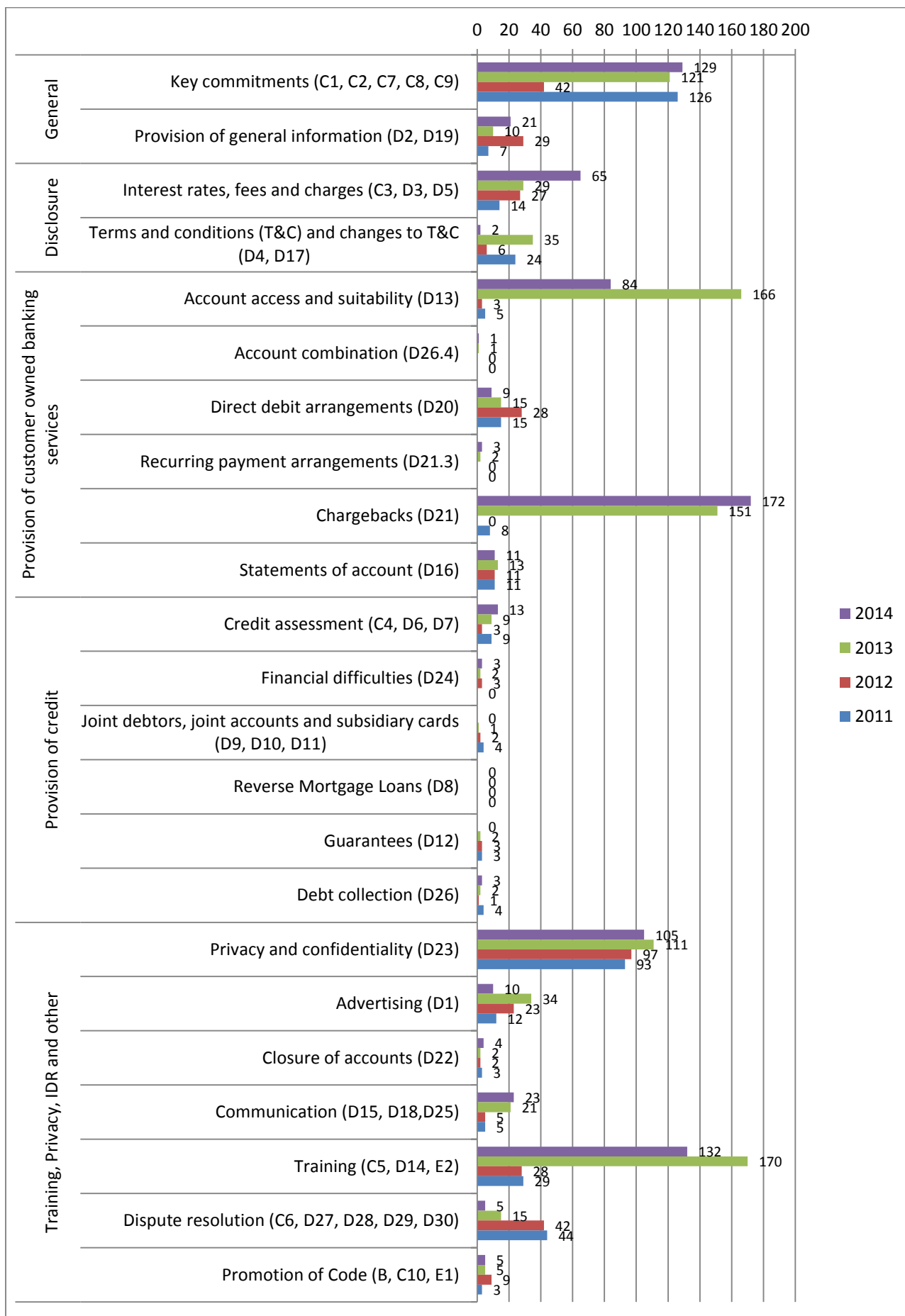
Self-reported Code breaches by section

Chart 2 on page 12 examines major areas of non-compliance by Code section in 2013–14, comparing these results with those from the previous three reporting years. Key findings for 2013–14 are as follows:

- **Chargebacks** (section D21) – 172 breaches (22%) compared to 151 breaches (16%) in 2012–13. 135 breaches (78%) were reported by one Code Subscriber.
- **Account Access and Account Suitability** (section D13) – 84 breaches (11%) compared to 166 breaches (18%) in 2012–13. All but two breaches were reported by one Code Subscriber.
- **Key Commitments** (sections C1, C2, C5, C7, C8 and C9) – 129 breaches (16%), compared to 121 breaches (13%) in 2012–13. 89 of these breaches (69%) relate to complying with legal and industry obligations (C8), in particular regarding privacy and confidentiality issues.
- **Privacy and Confidentiality** (section D23) – 105 breaches (13%), compared to 111 breaches (12%) in 2012–13
- **Training** (section D14 and E2) – 132 breaches (17%), compared to 170 breaches (19%) in 2012–13.

For a full comparative analysis table of all self-reported Code breach data from 2010–11 to 2013–14, see [Appendix C](#).

Chart 2: Self-reported breaches by Code section 2011–14



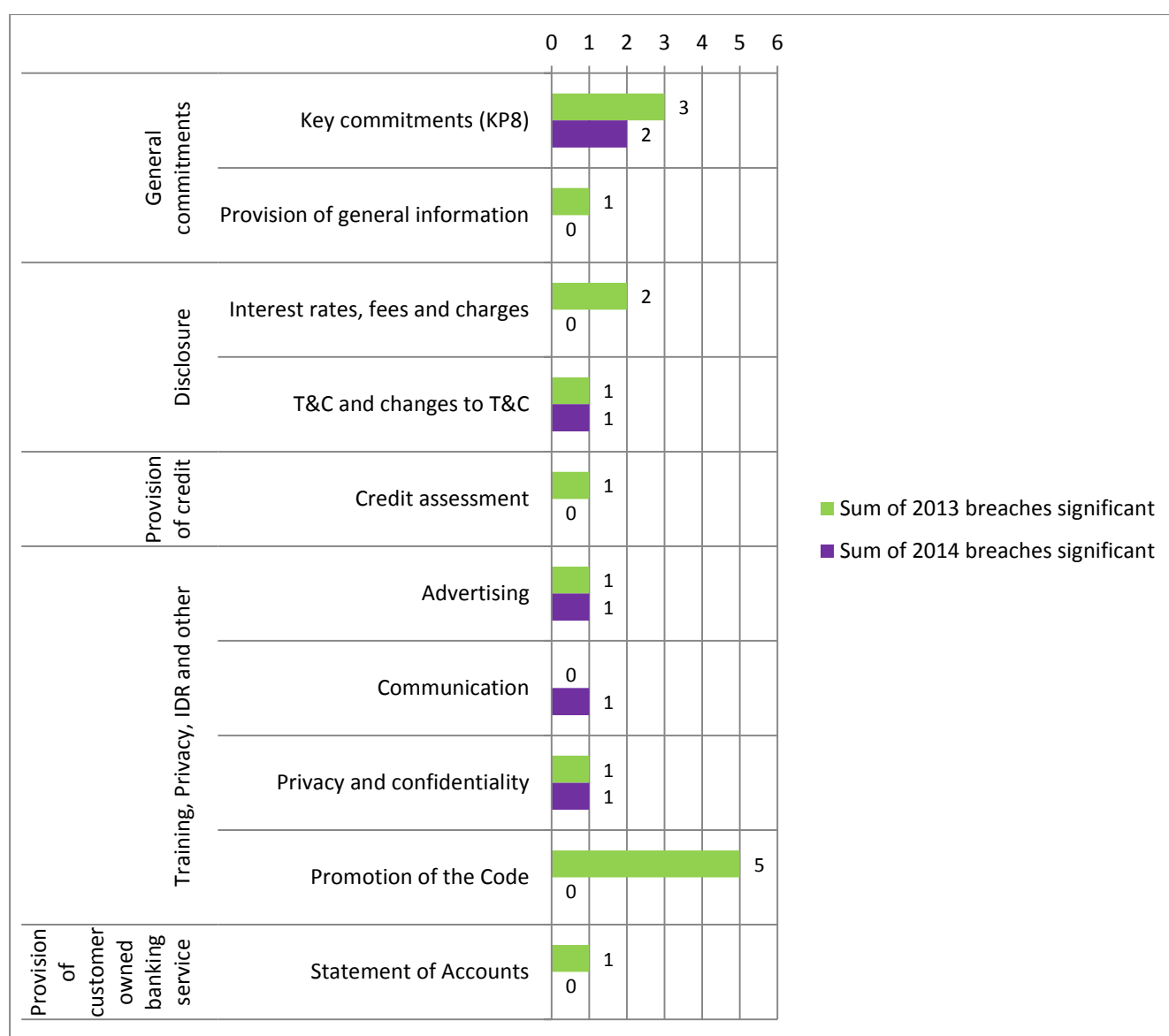
Self-reported significant breaches

Six significant breaches were reported in 2013–14 by five Code Subscribers. [Appendix D](#) contains information on these breaches, including the status of remedial actions. These significant breaches are represented by Code category in **Chart 3** below and cover Code obligations regarding:

- changes to accounts
- electronic communication
- legal and industry obligations, and
- privacy and advertising obligations.

It is pleasing to note that remedial actions to address all Code breaches have either been completed or are underway.

Chart 3: Self-reported significant breaches by Code category 2013–2014



Code Subscribers' compliance initiatives

Individual Code Subscribers introduced several initiatives to improve Code monitoring and reporting frameworks in 2013–14. These have strengthened compliance risk assessment processes and further embedded compliance requirements within their businesses and across the industry.

Code Subscribers' monitoring programs and frameworks

Individual Code Subscribers:

- ▶ introduced an **enhanced customer feedback framework** that strengthens the management, capture and reporting of customer complaints and disputes.
- ▶ implemented a new **organisation-wide competency framework** covering a range of areas such as risk and compliance competencies and measures.
- ▶ introduced an **online complaints lodgment and monitoring program**, to be updated and monitored by managers.
- ▶ improved the **electronic risk management system**, where details of complaints and breaches are stored. Registers are now clearer, easier to use, and produce automatic reports.

Code Subscribers' reporting processes

Individual Code Subscribers:

- ▶ improved **reporting spreadsheets** and access for all staff.
- ▶ formalised the way risk incidents and breaches are reported to achieve a **consistent approach to reporting**.
- ▶ improved the **incident reporting process** to make it more transparent and open. As a result Code breaches have been more effectively identified, reported and remedied.
- ▶ developed a robust system for **managing and reporting all feedback from customers**, including complaints and compliments. This has helped the Code Subscriber to improve the way it provides its products and services to customers.

Code Subscribers' staff training and incentives

Individual Code Subscribers:

- ▶ developed **refresher complaints handling training** to reinforce procedures.
- ▶ developed a training session to ensure that all **advertising material is reviewed** to ensure it is not misleading or non-compliant with the Code standard.
- ▶ provided further **training to marketing staff on RG234 requirements** and added more controls to the advertising clearance process.
- ▶ introduced an **incentive scheme for staff members** to resolve complaints 'on the spot' (on the day) where possible to encourage prompt resolution of complaints.
- ▶ placed a greater emphasis on Code requirements in **staff induction training**.

Internal Dispute Resolution complaints

Key findings

- Customer complaints handled by Code Subscribers' internal dispute resolution processes decreased by 14% to 12, 409 in 2013–14.
- The decrease in complaint numbers occurred across most Code Subscribers.
- Ten Code Subscribers recorded no complaints, a similar result to 2012–13 when nine Code Subscribers recorded no complaints.
- The major service/product areas for customer complaint in 2013–14 concerned payment systems (33%) and complaints registered under the category 'other' (40%) detailed as prepaid card system, service issues, marketing content, and general issues not related to a particular product.
- 39% of complaints related to service issues.
- 56% of complaints were resolved within five days, 31% within 21 days and 7% within 45 days. This compares to similar results in 2012–13 of 58%, 30% and 6%.
- 83% of complaints were resolved in favour of the customer or by mutual agreement, compared to 74% last year.
- 370 instances of non-compliance with the Code (42% of total breaches) were identified from an internal analysis of customer complaints compared to 309 (34% of total breaches) in 2012–13.

The 2013–14 ACS requested the following aggregated complaints handling data recorded by Code Subscribers as part of their internal dispute resolution (IDR) systems:

- service/product area
- issues involved
- resolution outcomes, and
- timeframes to resolve disputes.

The Committee considered this information when it assessed Code Subscribers' compliance with the following Code obligations:

- Key Promise 6 – *We will deal fairly with any complaints*
- Part D section 27 – *Prompt, fair resolution of complaints, and*
- Section 28 – *Our complaints handling process.*

The aggregate results collated from this data are outlined in **Chart 4** on page 18 and **Chart 5** on page 19.

The Financial Ombudsman Service (FOS) reported that it accepted 330 disputes against customer owned banking Institutions in 2013–2014 in its role as external dispute resolution provider.⁶ This compares to 12,409 disputes self-reported by Code Subscribers through their internal dispute resolution process.

⁶ [FOS Annual Review 2013-2014, page 52](#)

Issues attracting customer complaints

Effectively handling customer complaints in a professional and timely manner – including analysing their root causes – is important to maintaining the traditional leadership role of the industry in providing customer owned banking services.

The Committee noted the improved identification and reporting of complaints for the 2013–14 period. Most Code Subscribers provided valuable comments and information in addition to the number of complaints. Based on these additional comments, the following areas attracted a significant number of complaints:

► Service standards:

- poor service levels in following up with customers
- dissatisfaction concerning the level of professionalism in communicating with customers
- timeliness of statements and customer service
- inconsistent information being provided to customers by different staff
- lack of formality in email correspondence with members
- waiting times
- communication breakdown in respect to service delivery
- inefficient service delivery due to manual processes

► Fees and charges:

- insufficient funds fees charged
- late fees and dishonor fees

► Transactions:

- unauthorised transactions
- fraudulent transactions or mistaken internet payments where a member has submitted an Electronic Funds Transfer (EFT) Transaction Enquiry

► Technology:

- telephone banking
- changes to internet banking and introduction of a banking mobile application
- internet banking access offline
- Automated Teller Machine (ATM) disputes (ATMs offline, failure to dispense funds)

Dispute resolution times

While Code Subscribers resolved most customer complaints within 45 days, 6% of complaints took more than 45 days to resolve. Code Subscribers cited a variety of reasons for this.

Some reported that complaints referred to external dispute resolution (EDR) providers such as FOS were subject to prescribed timeframes, which affected their ability to resolve the dispute within 45 days. Others attributed lengthier resolution times to the time taken by EDR providers to gather and investigate information regarding the complaint. In some cases, complaints involved complex issues culminating in lengthy investigative processes, with information required from a variety of sources, as well as input from internal and external parties.

Several Code Subscribers attributed protracted dispute resolution timeframes to the time required to seek and replace legal documents, such as statutory declarations, police reports and documents from the Titles Office, or to reduced staff resources due to unexpected circumstances such as sickness or resignation.

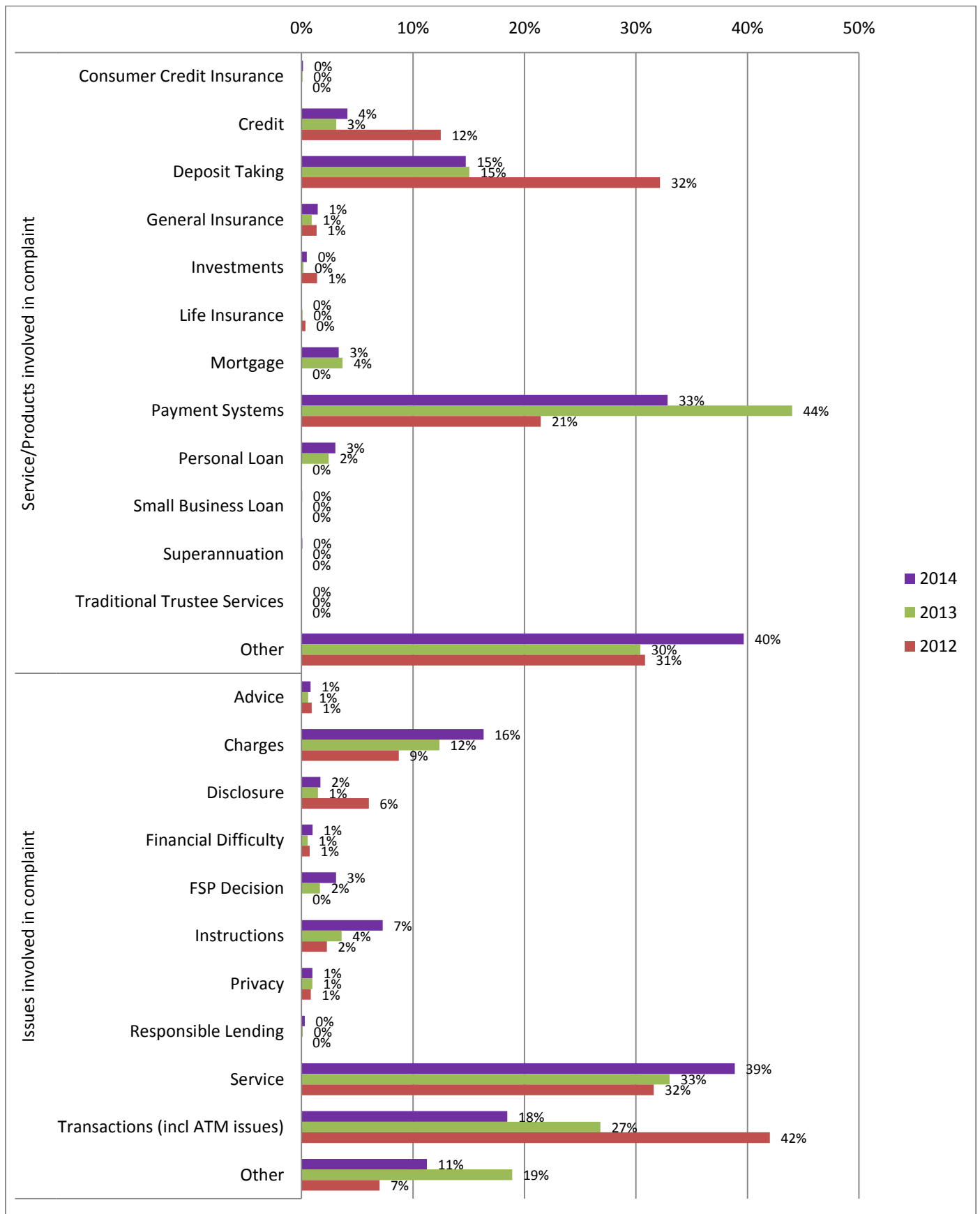
In some cases, longer dispute resolution times were attributed to the customer making the complaint, particularly when their complaint involved allegations of unauthorised transactions requiring the customer to submit a formal claim and relevant supporting documentation, which took them some time to obtain.

Most Code Subscribers cited staff training as their key remedy for addressing non-compliance with Internal Dispute Resolution obligations, reporting that they have trained their staff to better handle and resolve complaints at the initial point of contact.

Some Code Subscribers reported that their staff members now understand the urgency in dealing with a customer's complaint 'on the spot' and refer any issues they cannot resolve to their immediate supervisor to resolve. Supervisors and branch managers in turn have been trained to regularly monitor their staff to ensure compliance with internal dispute resolution procedures.

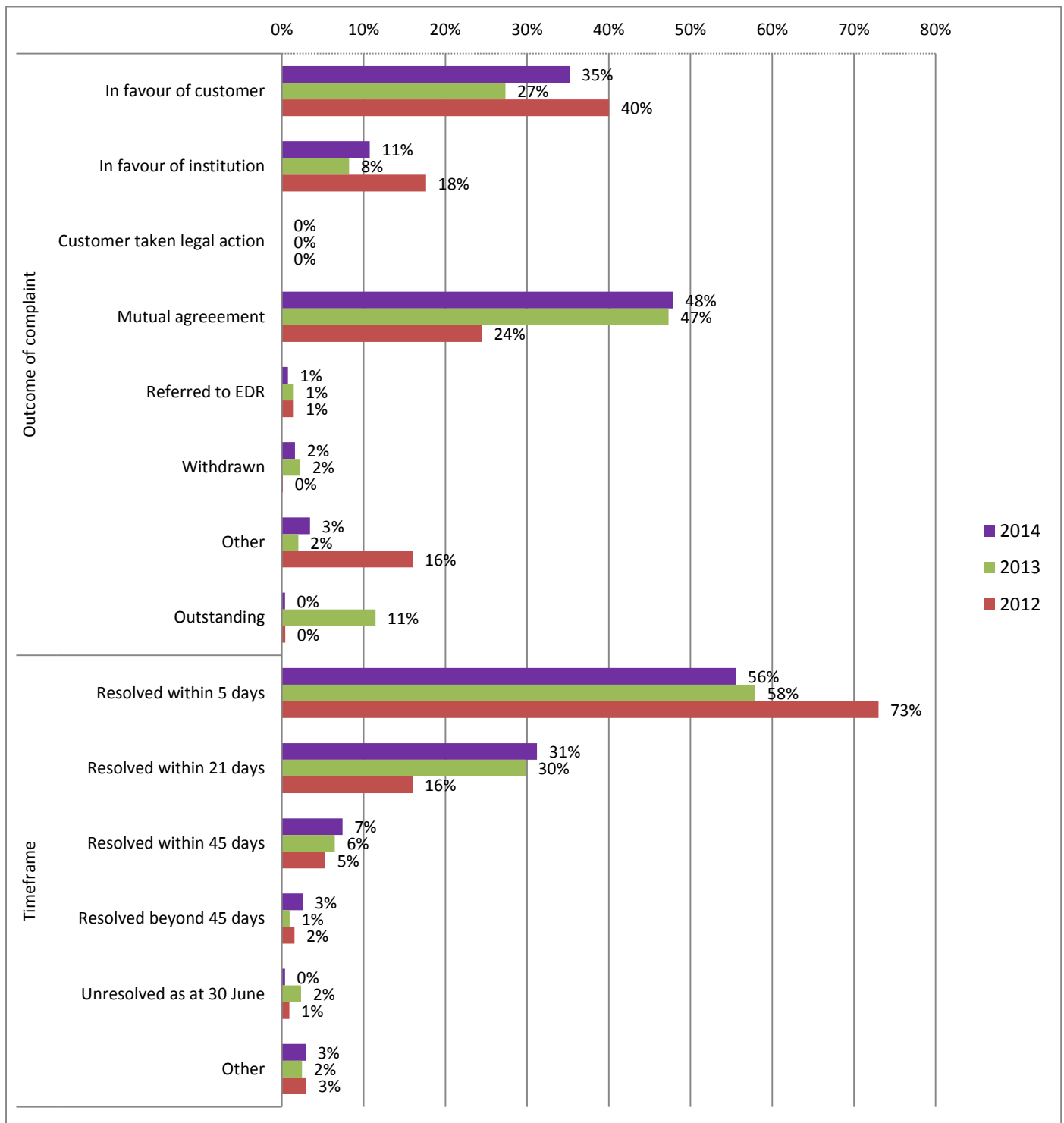
A number of Code Subscribers stated that they emphasised required timeframes in dispute resolution in their training sessions as well as the importance of communicating details of their internal dispute resolution procedures to customers.

Chart 4: Percentage of complaints by service/product and issues involved 2012–14⁷



⁷ 'Other' represents the number of complaints that were noted by the Institution in the total number of complaints, but not further identified regarding the service, products or issues involved.

Chart 5: Percentage of complaints by outcome and resolution 2012–14⁸



⁸ 'Other' represents the number of complaints that were noted by the Institution in the total number of complaints, but not further identified regarding the outcome or timeframe.

INVESTIGATIONS

The Code empowers the Committee to investigate and determine any allegation from any person that a customer owned banking Institution has breached the Code. The Committee can also initiate its own investigations.

The Committee's investigations aim to identify:

- the cause of alleged breaches
- whether there are broader compliance issues evident from the complaint, and
- the effectiveness of remedial actions undertaken by Institutions to minimise the impact of breaches on customers.

The Committee cannot consider claims for compensation and loss.

The Committee can initiate Code investigations without needing a complaint to act as a trigger. These investigations are mainly used to identify and assess:

- whether non-compliant behaviour identified through complaint investigations is systemic, either across an Institution or the sector in general
- the presence of non-compliant behaviour that may not have been identified by the institution's internal compliance monitoring systems or their ACS, and
- emerging Code compliance risks that may affect a number of Institutions and their customers.

Investigations – case work

We investigated five matters in 2013–14:

- one Own Motion Inquiry based on a press release issued by ASIC
- two referrals from FOS in its role as EDR provider, and
- two alleged breaches of the Code that were directly lodged with the Committee using the complaints form available through its website (<http://www.cobccc.org.au/resolving-complaints/how-to-allege-a-breach-of-the-code/>).

Investigation (Own Motion Inquiry from ASIC press release)

Alleged breach of part C, KP⁹ 3 and part D 1.1 of the Code – 'clear information' and 'advertising':

Following an ASIC press release regarding a misleading advertising campaign, the Committee sought and received clarification from the Institution involved that a breach of the Code had been reported to the Committee in its 2013 ACS response. The Committee was satisfied that the remedial steps undertaken by the Institution to remedy the non-compliance represented an appropriate response.

⁹ KP = key promise.

Investigations (referral by FOS EDR)

Alleged breach of part D 3.1 of the Code – ‘Information on interest rates, fees and charges’:

The complaint lodged with FOS involved an alleged financial loss of \$5,000. The customer allegedly received incorrect information on interest rates, fees and charges received from the Institution. FOS resolved the matter in favour of the customer. The customer then withdrew the referral to the Committee for further investigation of a potential Code breach. The matter was closed.

Alleged breach of part C KP4, part D 24 and 26 of the Code – ‘responsible lending’:

The complaints lodged with FOS involved inappropriate debt collection while a FOS dispute remained open and financial difficulty negotiations were pending. FOS resolved the matter in favour of the customer. The customer then withdrew the referral to the Committee for further investigation of a potential Code breach. The matter was closed.

Investigations (lodged online)

Alleged breach of part C KP1 of the Code – ‘be fair and ethical’:

The online complaint stated that the customer was unable to recover a mistaken internet payment. The Committee assessed that the matter fell within the [ePayments Code](#) and referred the customer to ASIC. The matter was closed.

Alleged breach of part C KP2 and KP5 of the Code – ‘focus on customers’ and ‘high customer service and standards’:

The customer advised the Committee of an inability to access account details electronically. The matter was closed when the customer did not provide the Committee with a privacy authority so the Committee could engage with the Institution about the matter.

Own Motion Inquiry (financial difficulty)

The Committee’s inquiry examined whether customer owned banking Institutions are meeting their obligations under the Code to help their customers who are experiencing financial difficulty. The inquiry was completed in June 2014. It comprised of consultation with 30 Code Subscribers and 52 financial counsellors and a review of financial difficulty information on participating Code Subscribers’ websites.

Overall the Committee found that participating Code Subscribers are willing to work with their customers to help them with their financial difficulties. Most are meeting their training commitments and monitoring compliance with their Code obligations through mechanisms such as internal and external audits. More than two thirds of financial counsellors surveyed agreed that on balance Code Subscribers’ financial hardship arrangements sometimes result in fair, reasonable and appropriate outcomes for their clients.

The Committee however recommended that Code Subscribers review their processes to ensure that the individual circumstances of all customers in financial difficulty are considered and that repayment arrangements are tailored to meet the individual’s situation.

The Committee highlighted three practices for particular attention:

1. All Code Subscribers should not pressure a customer to borrow from family and friends to pay out a debt or to access their superannuation early as this is inconsistent with the Debt Collection Guidelines.
2. All Code Subscribers should review their procedures to ensure that they are not listing a default on a customer's credit reference file and will not sell the debt to a debt buy-out business while the Institution is considering the customer's application or request, unless legally required to do so. These are obligations under the Code which Code Subscribers must adhere to.
3. All Code Subscribers should consider placing information on their websites to ensure consumers know where and how they can ask for assistance if in financial difficulty.

A full copy of the report will available at www.cobccc.org.au in January 2015.

ENGAGING WITH STAKEHOLDERS

In 2013–14, the Committee broadened and deepened its engagement with stakeholders to influence positive changes in industry behaviour, share its experience of Code compliance and highlight areas of good industry practice.

Stakeholder liaison

The Committee and its Secretariat attended more than 12 meetings during the year involving ASIC, the Credit Ombudsman Service, Code Subscribers, consumer and small business representatives, and the Customer Owned Banking Association.

ASIC

ASIC invited the Committee to respond to its hardship consultation paper (NCCP) and the Committee provided the regulator with advice about how the Code might respond to the proposed arrangements. The Committee also met with ASIC to discuss other Code-related matters.

Consumer and small business representatives

The Committee's Secretariat collaborated closely with the Financial and Consumer Rights Council ([FCRC](#)) throughout the year. Staff members attended its compliance meetings and presented Code training sessions as part of the council's Professional Development Program. Dr June Smith, General Manager, Code Compliance and Monitoring, also attended and presented at the FCRC annual conference in Ballarat, Victoria.

Secretariat staff attended Financial Counselling Australia's (FCA) Comparative Hardship Forum in Melbourne, where the FCA shared its findings from a qualitative research project comparing approaches to financial hardship across industries. Secretariat staff also attended the 2014 FCA conference in Melbourne. The conference was a valuable opportunity to discuss Code compliance issues with financial counsellors and other consumer advocates and to understand trends in recent consumer experience of customer owned banking practice.

Code Subscribers

The Committee's engagement with Code Subscribers in 2013–14 focused on helping them align their Code monitoring and compliance processes with the revised Code by 1 July 2014 – the deadline set for adoption of the Code. A summary of Code Subscribers transition activities and outstanding issues is provided in [Appendix B](#).

Publications

Our website (www.cobccc.org.au) provides details of our role and functions, information and reports on our work program. It also provides an online form to lodge a request for investigation where compliance by a Code Subscriber is alleged to be below the required standard and also to identify any potential issues that may be emerging across the industry. We published:

- five editions of the *Accomplish* e-newsletter, keeping stakeholders up-to-date with our activities and Code compliance news
- a guide to codes of practice in conjunction with the Telecommunications Ombudsman and Energy and Water Ombudsman Victoria
- the *Code Toolkit*, a handy pocket-sized reference guide for financial counsellors in Victoria
- an article provided for FOS Circular (December 2013), and
- two articles in Lexis Nexis Financial Services Newsletter (March and April 2014).

The Committee worked with Code Subscribers throughout 2013–14 to improve standards of practice and service, share its experience of Code compliance and effective transition to the revised Code. This has placed the customer owned banking industry in a strong position to further increase customer satisfaction levels in the sector.

Code monitoring and transition

The Committee will develop an online portal to assist Code Subscribers to lodge their compliance forms electronically. It will also make the Committee's data-gathering process more efficient. The Committee will continue to refine and improve its ACS format and develop a template for its Own Motion Inquiry investigations, including consideration of the statements provided by Code Subscribers regarding consistency of the ACS program.

The Committee will continue to monitor Code Subscribers' transition to the revised Code through its Verification program and work with COBA to help Code Subscribers comply with their obligations under the revised Code.

Investigations

The Committee is developing an *Investigation Process Manual*, which will feature an overview of Committee operations and an easy to follow flowchart of the process, including relevant sections of the Charter and guidance notes.

Consumer engagement strategy

The Committee is committed to creating a better banking experience for customers by ensuring they are aware of their rights under the Code. As part of its 2014–15 consumer engagement strategy the Committee will:

- publish articles in consumer publications to raise awareness of the strengthened consumer protection resulting from the new Code and Committee Charter
- engage with regional and remote communities
- participate in a series of Code training days for financial counsellors and community legal advisers
- raise awareness of Code obligations associated with significant areas of consumer risk, and
- develop guidance notes for consumers about financial difficulty obligations.

APPENDIX A: Code Subscribers as at 1 December 2014¹⁰ as provided by COBA

1. Allied Members Credit Union Ltd ¹¹ t/as Comtax Credit Union t/as Security Credit Union	22. EECU Limited	48. Mecu Limited t/as bankmecu	69. Service One Credit Union Ltd t/as Service One Members Banking
2. Australian Central Credit Union Ltd t/as People's Choice Credit Union	23. Encompass Credit Union Ltd	49. My Credit Union Limited	70. SGE Mutual Limited (formerly SGE Credit Union) t/as G&C Mutual Bank
3. AWA Credit Union Ltd	24. Family First Credit Union Limited	50. Newcom Colliery Employees Credit Union Ltd	71. Shell Employees' Credit Union Ltd
4. Bankstown City Credit Union Ltd	25. Fire Brigade Employees' Credit Union	51. Northern Inland Credit Union Ltd	72. South West Credit Union Co-operative Ltd
5. Berrima District Credit Union Ltd t/as BDCU	26. Fire Service Credit Union Ltd	52. Nova Credit Union Limited	73. South West Slopes Credit Union Ltd
6. Big Sky Building Society Ltd	27. Firefighters & Affiliates Credit Co-operative Limited	53. Old Gold Credit Union Co-operative Ltd	74. Southern Cross Credit Union Ltd
7. CAPE Credit Union Ltd	28. First Choice Credit Union Ltd	54. Orange Credit Union Limited	75. Summerland Credit Union Limited
8. Central Murray Credit Union Ltd	29. First Option Credit Union Limited	55. Police and Nurses Limited t/as P&N Bank	76. Sutherland Credit Union Ltd t/as The Shire Credit Union
9. Central West Credit Union Limited	30. Ford Co-operative Credit Society Limited	56. Police Bank Ltd t/as Police Bank t/as Customs Bank	77. Sydney Credit Union Ltd
10. Circle Credit Co-operative Limited	31. Gateway Credit Union Ltd	57. Police Credit Union Limited	78. Teachers Mutual Bank Limited
11. Coastline Credit Union Ltd	32. Goulburn Murray Credit Union Co-Operative Ltd	58. Police Financial Services Limited t/as BankVic	79. The Broken Hill Community Credit Union Ltd
12. Collie Miners Credit Union Ltd	33. Greater Building Society Limited	59. Pulse Credit Union Ltd t/as Pulse Credit Union t/as La Trobe University Credit Union t/as Melbourne University Credit Union	80. The Capricornian Ltd
13. Community Alliance Credit Union Limited t/as Catalyst Mutual t/as Illawara Credit Union t/as Shoalhaven Community Credit Union t/as Western City Credit Union	34. Heritage Bank Limited	60. Qantas Staff Credit Union Ltd	81. The University Credit Society Ltd t/as Unicredit
14. Community CPS Australia Limited t/as Beyond Bank	35. Heritage Isle Credit Union Ltd	61. QT Mutual Bank Limited	82. Traditional Credit Union Ltd
15. Community First Credit Union Limited	36. Holiday Coast Credit Union Ltd	62. Quay Credit Union Ltd	83. Transcomm Credit Co-Operative Ltd
16. Community Mutual Ltd t/as Hunter Mutual t/as New England Mutual t/as Orana Mutual	37. Horizon Credit Union Ltd	63. Queensland Country Credit Union Limited	84. Transport Mutual Credit Union Ltd
17. Country First Credit Union Limited	38. Hume Bank	64. Queensland Police Credit Union Ltd	85. Victoria Teachers Limited t/as Victoria Teachers Mutual Bank
18. Credit Union Australia Ltd t/as CUA	39. Intech Credit Union Ltd t/as Intech Credit Union t/as Telstra Credit Union	65. Queensland Professional Credit Union Ltd	86. Warwick Credit Union Ltd
19. Credit Union SA Limited	40. Laboratories Credit Union Limited	66. Queenslanders Credit Union Limited	87. WAW Credit Union Co-operative Ltd
20. Dnister Ukrainian Credit Co-Operative Ltd	41. Lysaght Credit Union Ltd	67. Railways Credit Union Ltd	88. Woolworths Employees Credit Union Limited
21. ECU Australia Ltd	42. Macarthur Credit Union Ltd t/as The mac	68. Select Credit Union Limited	89. Wyong Council Credit Union Ltd
	43. Macquarie Credit Union Ltd		
	44. Maitland Mutual Building Society Ltd		
	45. Manly Warringah Credit Union Limited t/as Northern Beaches Credit Union		
	46. Maritime Mining & Power Credit Union Limited t/as Maritime Mining & Power Credit Union t/as Reliance Credit Union		
	47. MCU Limited		

¹⁰ The decrease in the number of Code Subscribers from 91 to 89 over the last 12 months follows a series of mergers and acquisitions within the industry and one cancellation of a Code subscription.

¹¹ Allied Members Credit Union Ltd merged with Sydney Credit Union in December 2014

APPENDIX B: Transitioning to the revised Code by Code Subscribers

Code area	Completed transition as at 30 June 2014 ¹²	Outstanding issues
Revised Code, new branding and new governance structure	91%	<ul style="list-style-type: none"> • Awaiting update of training material (e.g. eLearning module). • Reviewed relevant documents and website, but awaiting website administrator and printer to complete update. • Governance Structure was not rolled out to all staff as this is not considered critical knowledge to most but is known to those staff who have a need to know (e.g. Risk & Compliance and Complaints Officer etc).
ePayments Code	97%	<ul style="list-style-type: none"> • One Institution believed in error that it does not subscribe to the ePayments Code. • Note: Part B of the Code, titled 'Relationship to other Codes' clearly states "We subscribe to the ePayments Code...".
Members with special needs	70%	<ul style="list-style-type: none"> • Limited provision to identify entire base as special customers, but any issues are addressed on a day-to-day basis. • Done on an ad-hoc basis now when members with special needs are identified (i.e. waiving the 'CAPTCHA' text for internet banking authentication for visually impaired members). • Not commercially viable. • Institution did not review entire membership base, but has numerous structures in place to identify customers with special needs on an individual case-by-case basis, and a tailored approach is taken to suit the customer's specific circumstances (for example these structures are reflected in the Responsible Lending and hardship policies and processes, and customers that receive Centrelink support payments are proactively identified by staff, and may be eligible for a fee exemption).
Advertising and promotional material	98%	<ul style="list-style-type: none"> • All advertising outsourced to a third party, approved by CEO and External Legal Advisors. • All material requires compliance and/or legal review and a checklist is under development. • One Institution advised that it does not advertise at this stage.
Responsible lending and customers in financial difficulty	96%	<ul style="list-style-type: none"> • Policies and procedures are accessible by all staff and are subject to an annual review. • The Institution has implemented an 'engage program', which focuses on improving the customer experience through a more active engagement with customers. Part of this process includes a more proactive approach to identifying and offering assistance to members experiencing financial difficulty. • Actioned through staff training. • Review of available information with input from key stakeholders including Legal, Compliance and business owners.

¹² Percentage of total Code Subscribers.

Code area	Completed transition as at 30 June 2014 ¹²	Outstanding issues
Reverse mortgage products	12%	<ul style="list-style-type: none"> • 75 Institutions advised that they do not offer reverse mortgage products
Third party product providers	94%	<ul style="list-style-type: none"> • No separate review of third party service providers was undertaken as part of the Code changes. These relationships are subject to continual oversight through service level agreements and key performance indicators which are governed by identified relationship executive. • Four Institutions advised that they do not use third party product providers.
Use of finance brokers	25%	<ul style="list-style-type: none"> • 64 Institutions advised that they do not use finance brokers.
Return mail	93%	<ul style="list-style-type: none"> • Small core of staff are aware of requirements. • Centralised process for dealing with returned mail. • This is a constant issue to monitor and action.
Electronic communication	94%	<ul style="list-style-type: none"> • Ongoing review of security requirements is required. • A comprehensive set of operational procedures addressing all electronic communications across the organisation has not yet been formulated. However, a style guide is currently being developed. • One Institution advised that generally it does not issue electronic statements. • One Institution advised that it does not use electronic communication.
Debt collection	100%	<ul style="list-style-type: none"> • Only handled by Credit Control Manager who is aware of and kept up-to-date with requirements. • Small core of staff who are aware of requirements. • Ongoing training required.
Direct Debit	96%	<ul style="list-style-type: none"> • Two Institutions advised that they do not offer direct debit arrangements. • Seven Institutions advised that they do charge a cancellation fee where customers cancel their direct debit arrangement.

APPENDIX C: Comparative table – self-reported Code breach data 2011–2014

Group	Code category	2010/2011		2011/2012		2012/2013			2013/2014		
		Total breaches		Total breaches		Total breaches		Sign. breaches	Total breaches		Sign. breaches ¹³
General	Key commitments (C1, C2, C7, C8, C9)	126	30%	42	12%	121	13%	3	129	16%	2
	Provision of general information (D2, D19)	7	2%	29	8%	10	1%	1	21	3%	0
	TOTAL GENERAL	133	32%	71	20%	131	14%	4	150	18%	2
Disclosure	Interest rates, fees and charges (C3, D3, D5)	14	3%	27	7%	29	3%	2	65	8%	0
	Terms and conditions (T&C) and changes to T&C (D4, D17)	24	6%	6	2%	35	4%	1	2	*	1
	TOTAL DISCLOSURE	38	9%	33	9%	64	7%	3	67	8%	1
Provision of customer owned banking services	Account access and suitability (D13)	5	1%	4	1%	166	18%	0	84	11%	0
	Account combination 'Centrelink requirements' (D26.4)	0	0%	0	0%	1	* ¹⁴	0	1	*	0
	Direct debit arrangements (D20)	15	4%	28	8%	15	2%	0	9	1%	0
	Recurring payment arrangements ¹⁵ (D20.3)	0	0%	0	0%	2	*	0	3	*	0
	Chargebacks (D21)	8	2%	0	0%	151	16%	0	172	22%	0
	Statements of account (D16)	11	3%	10	3%	13	1%	1	11	1%	0
TOTAL PROVISION OF CUSTOMER OWNED BANKING SERVICES	51	10%	42	12%	348	37%	1	280	35%	0	
Provision of credit	Credit assessment (C4, D6, D7)	9	2%	3	1%	9	1%	1	13	2%	0
	Financial difficulties (D24)	0	0%	3	1%	2	*	0	3	*	0
	Joint debtors, joint accounts and subsidiary cards (D9, D10, D11)	4	1%	2	1%	1	*	0	0	0%	0
	Reverse Mortgage Loans (D8)	0	0%	0	0%	0	0%	0	0	0%	0
	Guarantees (D12)	3	1%	3	1%	2	*	0	0	0%	0

¹³ For details see Appendix C.

¹⁴ * Not shown as percentage as below 1%.

¹⁵ Previously section D20.3 of the 2010 Mutual Banking Code of Practice.

Group	Code category	2010/2011		2011/2012		2012/2013			2013/2014		
		Total breaches		Total breaches		Total breaches		Sign. breaches	Total breaches		Sign. breaches ¹³
	Debt collection (D26)	4	1%	1	*	2	*	0	3	*	0
	TOTAL PROVISION OF CREDIT	20	5%	12	4%	16	1%	1	19	2%	0
Training, Privacy, IDR and other	Privacy and confidentiality (D23)	93	21%	97	26%	111	12%	1	105	13%	1
	Advertising (D1)	12	3%	23	6%	34	4%	1	10	1%	1
	Closure of accounts (D22)	3	1%	2	1%	2	*	0	4	1%	0
	Communication (D15, D18, D25)	5	1%	5	1%	21	2%	0	23	3%	1
	Training (C5, D14, E2)	29	7%	28	8%	170	20%	0	132	17%	0
	Dispute resolution (C6, D27, D28, D29, D30)	44	11%	42	12%	15	2%	0	5	1%	0
	Promotion of Code (B, C10, E1)	3	1%	9	2%	5	1%	5	5	1%	0
	TOTAL OTHER	177	44%	206	55%	358	41%	7	284	36%	3
TOTAL		419		364		917		16	800		6
Number of Institutions who reported breaches		44	44%	50	53%	56	62%	9	50	56%	5

APPENDIX D: Significant breaches reported by Institutions in 2014

Code category	Code section	Issue	Background	Outcome
Key commitments and general obligation – 'comply with legal and industry obligations'	C8	<p>A routine review and subsequent investigation uncovered that the 'saved amount' as defined in the Social Security (Administration) Act 1999 s 62 had not been calculated and incorporated into the calculation of monies payable under the relevant garnishee orders.</p> <p>There is no indication that the saved amount was ever calculated at the Institution.</p>	<p>Because of the age and ongoing nature of the breach, it is difficult to ascertain the exact cause.</p> <p>A lack of a formal policy and procedure for the management of garnishee orders, a deficit in staff skills and training and the absence of any regular review may all be contributing factors.</p> <p>The breach may have resulted in the inappropriate garnisheeing of funds, but never more than the amount attached by the garnishee order. The exact amount cannot be determined.</p>	<p>A formal policy for the management of garnishee orders has been established, which includes information on the calculation of saved amounts. Staff training has also occurred.</p> <p>A checklist within the Institution's electronic risk management system has been developed that must be completed prior to the uploading of any garnishee orders to the system.</p> <p>It includes a checkbox for confirming that saved amounts have been calculated and incorporated into the overall calculation when applicable.</p>
Key commitments and general obligation – 'comply with legal and industry obligations'	C8	<p>The Institution's insurance underwriter advised that "Life restricted to CCI" (Consumer Credit Insurance Life Cover) was not listed on the Institution's AFSL as a product it was authorised to sell. The Institution had been selling this product without authorisation since its licence was granted in 2003 (at the time the FSR Act regime came into effect).</p>	<p>The insurer became aware of this issue because they had committed the same breach. The insurer corrected their licence and were advised by ASIC that no further action would be taken.</p> <p>The Institution has 1,519 Consumer Credit Insurance Life Cover policies and it sold approximately 30 per month.</p>	<p>The breach was assessed as significant and ASIC were formally notified on 11 November 2013. The breach has had no direct and/or financial impact on customers and was assessed as significant because of the frequency of the breach. Each and every time the Institution sold Consumer Credit Insurance Life Cover it breached the conditions of its licence. ASIC advised no further action will be taken and a variation of the AFSL was lodged and approved.</p>
Advertising	D1	<p>The Institution's significant breach related to advertising of its Rate Breaker Home Loan (product designed to track at 1% discount to the average standard variable rate of the "Big 4"). The Institution failed to prominently disclose two product limitations (the discount could be varied and that there was a 3% floor). The breach resulted in an ASIC Enforceable Undertaking.</p>	<p>The incident was caused by a failure of the Institution's marketing material approval processes.</p> <p>The breach resulted in an Enforceable Undertaking, which required the Institution to honour the product without the two limitations in question to those customers who had already taken up the product. The limitations could be applied to new customers once the advertising correctly referenced them.</p>	<p>Honouring the product without limitation for existing customers. Introduction of a Marketing Compliance Approval Standard to strengthen marketing approval controls within the business.</p>
Terms and conditions (T&C) and changes to T&C	D17	<p>Affecting 16 customers. A clean up of customer accounts occurred during the period and a number of customers complained regarding having to merge their accounts without appropriate notice. All customers have now been responded to and no further action was required.</p>	<p>Clean up of data base.</p>	<p>Staff training and communication to customers.</p>

Communication	D18	Affecting 58 customers. Breaches were listed when there was a change to the Institution's Internet Banking Web Page and customers had difficulty accessing internet banking. Solution was to clear cache and cookies. All listed customers' complaints dealt with.	Change of Web Page.	Improved communication material.
Privacy and confidentiality – 'information on privacy and security	D23	Privacy Act - destruction of personal information not being carried out when the information is no longer needed and/or required by law.	Oversight	Destruction or de-identification of personal information.

APPENDIX E: Comparative table – Internal Dispute Resolution data 2012–2014

	Category	2011/2012		2012/2013		2013/2014	
Products involved in consumer complaint	Consumer Credit Insurance	0	0%	13	* ¹⁶	17	*
	Credit	1,299	12%	448	3%	511	4%
	Deposit Taking	3,345	32%	2,166	15%	1,829	15%
	General Insurance	140	1%	132	1%	180	1%
	Investments	145	1%	26	*	59	*
	Life Insurance	36	*	13	*	5	*
	Mortgage	0	%	530	4%	414	3%
	Payment Systems	2,232	20%	6,334	44%	4,075	33%
	Personal Loan	0	0%	350	1%	377	3%
	Small Business Loan	0	0%	4	*	6	*
	Superannuation	0	0%	3	*	9	*
	Traditional Trustee Services	0	0%	0	0%	4	*
	Other ¹⁷	3,204	31%	4,374	30%	4,923	40%
Issues involved in customer complaint	Advice	94	1%	84	1%	100	1%
	Charges	907	9%	1779	12%	2,026	16%
	Disclosure	628	6%	211	1%	211	2%
	Financial Difficulty	76	1%	78	1%	122	1%
	FSP Decision	0	0%	239	2%	383	3%
	Instructions	236	2%	517	4%	903	7%
	Privacy	87	1%	140	1%	121	1%
	Responsible Lending	0	0%	15	*	35	*
	Service	3,287	32%	4,752	33%	4,822	39%
	Transactions (incl ATM issues)	4,325	42%	3,859	27%	2,291	18%
	Other	761	7%	2,719	19%	1,395	11%
Outcome of customer complaint	In favour of customer	4,164	40%	3,935	27%	4,371	35%
	In favour of Institution	1,833	18%	1,181	8%	1,335	11%
	Customer taken legal action	0	0%	1	*	1	*
	Mutual agreement	2,547	24%	6,812	47%	5,941	48%
	Referred to EDR	149	1%	206	1%	92	1%
	Withdrawn	12	*	322	2%	199	2%
	Other	1,654	16%	289	2%	425	3%
	Outstanding	42	*	1,647	11%	45	*
Timeframe	resolved within 5 days	7,713	73%	8,338	58%	6,894	56%
	resolved within 21 days	1,583	16%	4,299	30%	3,834	31%
	resolved within 45 days	552	5%	932	6%	920	7%
	resolved beyond 45 days	159	2%	135	1%	317	3%
	unresolved as at 30 th June	94	1%	337	2%	45	*
	other	300	3%	352	2%	359	3%
Number of complaints which include Code breaches		117	1%	309	2%	370	3%
Total number of complaints		10,401		14,393		12,409	
Number of Institutions who reported complaints		67	71%	82	90%	79	89%

¹⁶ * Not shown as percentage as below 1%.

¹⁷ 'Other' represents the number of complaints that were not further specified by the Institution.

APPENDIX F: Additional tables – complaints and breach data 2011–2014

Number of customer complaints and Code breaches by size of Institution

	Number of complaints				Number of breaches			
	2011 ¹⁸	2012	2013	2014	2011	2012	2013	2014
Total number of Institutions	n/a	95	91	89	99	95	91	89
Reported by all Institutions	n/a	10,401	14,393	12,409	419	364	917	800
Reported by Institutions with	n/a							
• more than 100 employees FTE ¹⁹		8,829	11,292	9,732	199	236	287	269
• 31 to 100 employees FTE	n/a	1,377	2,552	2,191	169	84	520	455
• up to 30 employees FTE	n/a	195	549	486	51	44	110	76

Number of Institutions reporting complaints for period 2011–2014

Number of reported complaints	Number of Institutions			
	2011	2012	2013	2014
Nil	n/a	23	9	10
Between 1 to 10	n/a	25	23	29
Between 11 to 20	n/a	15	13	14
Between 21 to 50	n/a	7	18	10
Between 51 to 100	n/a	6	8	6
Over 100	n/a	14	20	20
Not advised	n/a	5	0	0

Number of Institutions reporting Code breaches for period 2011–2014

Number of reported Breaches	Number of Institutions			
	2011	2012	2013	2014
Nil	46	40	35	39
Between 1 to 10	37	41	39	32
Between 11 to 20	3	6	7	10
Between 21 to 50	2	2	7	6
Between 51 to 100	1	1	2	1
Over 100	1	0	1	1
Not advised	9	5	0	0

¹⁸ The 2011 Annual Compliance Statement did not request customer complaints data for 2010–2011.

¹⁹ Full Time Equivalent.