

**CUSTOMER OWNED BANKING
CODE COMPLIANCE COMMITTEE**

Our impact

Annual Compliance Report 2017–18

November 2018



Our purpose

We encourage and promote customer owned banking institutions (institutions) to meet customer and community needs and expectations.

Our objective

To achieve this, we monitor Code compliance, share good practice, engage with stakeholders, analyse the external financial services' environment and ensure efficient and effective Committee operations.

This Report

This is an overview of the work we have completed and the impact of our work on the industry for the financial year. Detailed data gathered from our monitoring activities of the 64 customer owned banking institutions that subscribed to the Code in 2017–18 is included in the appendices.

Focus on customer and community expectations

It has been a turbulent year for the financial services sector, with the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry bringing the industry's integrity into sharp and very public focus. In its interim report, the Royal Commission queried the adequacy of current forms of self-regulation "to identify, regulate and address misconduct and conduct falling short of community expectations and to provide appropriate redress to consumers."¹ Further, it canvassed largely replacing or consolidating the regulatory regime with one binding Financial Services Code.

We understand the central purpose of a code of practice is to support a culture of trust in accordance with community expectations and to ensure fair and enforceable self-regulation. It should impose accountability and responsibility on the boards and executives who determine the culture and operations of a business. It should streamline regulations and bring transparency and accountability to the conduct of institutions.

The Customer Owned Banking Code of Practice is both a benchmark of good practice and a clear statement of the commitment that customer owned banking institutions make to their customers - their owners. A complex and ever-changing legal and regulatory environment brings many challenges, particularly for small and micro organisations, while medium and large ones must work hard to maintain their connection with customers. Training is critical, as is creating a culture of compliance, and whistle-blowing when necessary.

The Customer Owned Banking Association has scheduled a review of the Code in 2019. We look forward to contributing to this and working to update and strengthen the Code to benefit all parties, with a particular focus on vulnerable consumers.

This will be my final Annual Compliance Report as I retire from the position of Chairman in February 2019, having served the maximum of two terms. My particular thanks go to the compliance team at the Financial Ombudsman Service (FOS) Australia - now the Australian Financial Complaints Authority (AFCA) - for their diligent and generous support over this period: Dr June Smith, Ms Sally Davis and Ms Daniela Kirchlinde. As I end my period of service to customer owned banks, I thank my committee members for their knowledge and commitment. The role we have requires that we work together to ensure customer owned banks meet community expectations in their professional practices. Over the past six years Dr Gail Pearson and Ms Carolyn Bond AO have provided important community perspectives while Patricia Langham and Anita Schut have most capably contributed industry knowledge. I have enjoyed working with such dedicated committee members and thank them for their support of my role.

I have very much enjoyed engaging with the customer owned banking sector – in particular Chair Wendy Machin and CEO Mike Lawrence - and wish you well as you address the review of the Code and the ongoing reforms post the Royal Commission.



Dr Sue-Anne Wallace AM, Chairman, Customer Owned Banking Code Compliance Committee

¹ <https://financialservices.royalcommission.gov.au/Documents/interim-report/interim-report-volume-1.pdf>, September 2018, page 2

How institutions complied with the Code

Self-reported breaches almost double, though the number of institutions reporting them remains stable

In 2017-18, Code subscribers self-reported 2,004 Code breaches², up from 1,222 the previous year. 72% of the Code's subscriber institutions reported breaches – slightly down from 76% – while 18 institutions reported zero breaches in that time. The Committee suggests that subscribers reporting nil breaches should review their monitoring and reporting framework and structure, including the root cause analysis of complaints, to support a positive culture of breach reporting.

Most breaches concerned customer service, privacy or legal obligations

Customer service standard was the subject of 42% of the breaches – up from 6% in the previous year. The increase was mainly due to one large institution self-reporting a significant number of breaches of this standard.

Privacy obligations accounted for nearly a quarter of the breaches, and legal obligations for 17%. When cause could be determined, failure to follow process and procedures accounted for around half of the breaches. Responsible lending practices were the subject of 5% of breaches, down from 12% in 2016-17 and manual error was attributed to more than half of these.

Self-reporting provides valuable information to subscribers. It is one way that the Committee identifies Code breaches and assists in making improvements to practices. We recognise that self-reporting does not identify all breaches and may be less reliable in identifying certain types of breaches.

² See definitions on page 10

A quick snapshot on what the Code requires on

Customer service

We will issue and distribute products and provide services that are useful, reliable and of value to our customers. We will make sure our staff and agents or representatives are well trained. We will promote secure and reliable banking and financial services and keep you up to date on any changes to the products and services we provide to you.

Privacy

We will comply with the Privacy Act 1988 and the Australian Privacy Principles, including with respect to credit reporting and the collection, storage, use and disclosure of your personal and financial information. We will treat your personal information as private and confidential.

Legal obligations

We will be responsible, prudent managers of our institution, and will comply with all our obligations under the law and relevant codes of practice. We will act fairly and consistently with good banking and financial service industry practice.

We will always act as a responsible lender and will comply with responsible lending laws.

Self-reported
Code breaches:

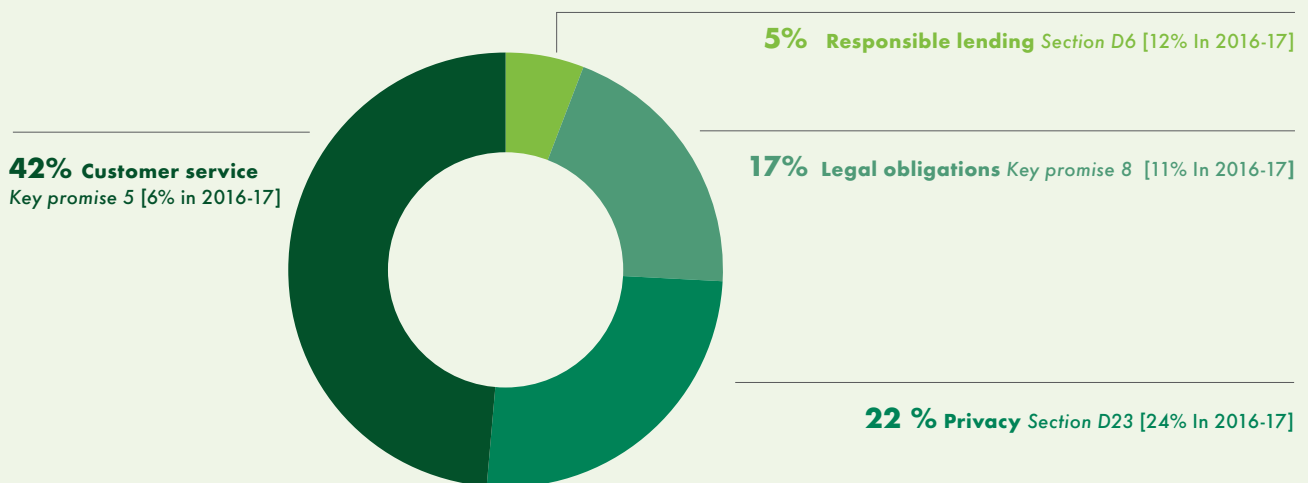


2,004

CODE BREACHES

↑ UP FROM 1,222 IN 2016-17

Top four breach areas:



The impact of Code breaches

Breaches of the Customer Owned Banking Code can come with a significant cost, both personal and financial. Institutions told the Committee that in the 2017-18 year **68,032 customers** were directly affected by breaches (where information was provided³).

Failure to meet legal obligations had an impact on the largest number of consumers – 42,247 customers.

Issues with the provision of information about products affected around ten thousand customers, with a similar number affected by information about interest rates, fees and charges. Privacy breaches impacted 4,167 customers.

For further information, including financial impact, see table 8 and table 9 in Appendices.



68,032

CUSTOMERS AFFECTED BY BREACHES

How institutions responded to complaints

The Committee assesses compliance with the Code by collecting information from subscribers about the complaints they receive and the efficiency of their internal dispute resolution process.

In 2017-18, a third of the complaints involved service issues, with deposit-taking products and payment systems featuring significantly.

Although the number of complaints was higher than in the previous year – **21,615 complaints**, up from 18,662 – the number of institutions self-reporting remained consistent, and seven subscribers said they had received no complaints at all. The Committee suggests that subscribers reporting minimal customer complaints should review their complaints systems to ensure they are fully compliant with ASIC's Regulatory Guide 165.

It was encouraging to note that the percentage of complaints resolved within 21 days remained extremely high – 88% compared with 90% in 2016-17. Of the complaints, 37% were resolved in favour of the customer, 25% by mutual agreement and 21% by general feedback.



21,615

COMPLAINTS RECEIVED BY INSTITUTIONS
↑ UP FROM 18,662 IN 2016-17

³ Where there was no direct impact concerning customers or financial, some institutions were not able to provide that data.

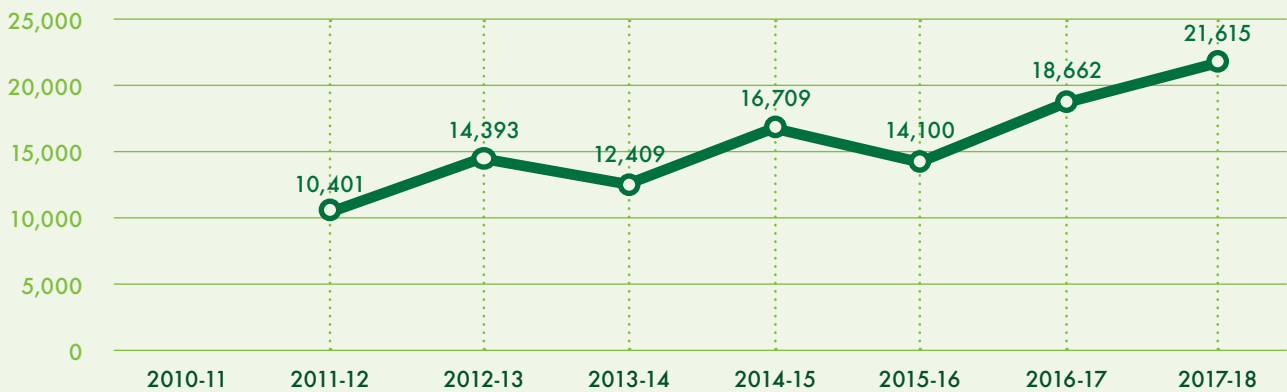
An example of good industry practice

Although ASIC's Regulatory Guide 165⁴ says companies don't need to record a complaint or dispute if it is resolved by the end of the fifth business day to the customer's complete satisfaction we strongly recommend that all subscribers record all complaints. This year, we are pleased to note that 81% of our member subscribers adhered to this and recorded complaints resolved within the five-day timeframe

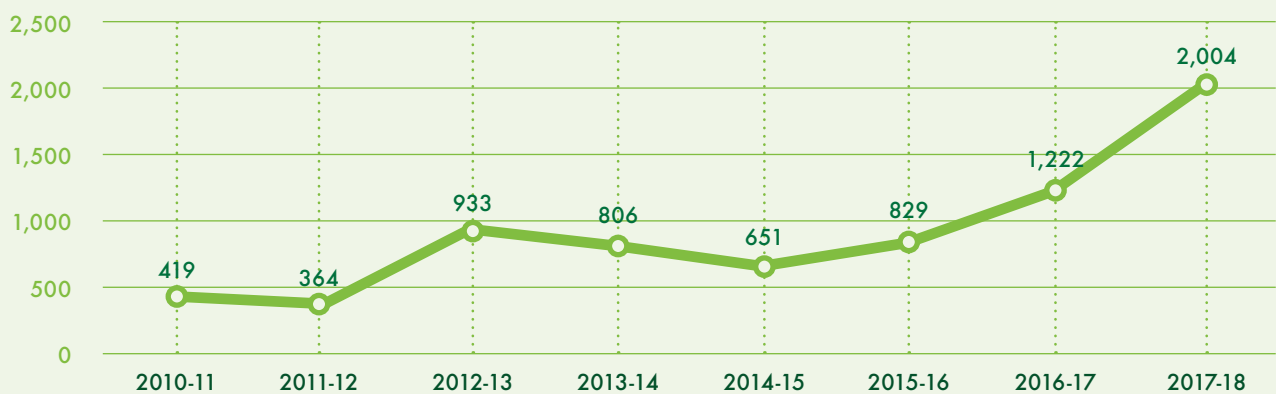
in their general complaints reporting (in addition to the RG 165 requirement).

The graphs below illustrate the trends and relationships in data self-reported over the last eight years of the Committee's operations. It highlights key milestones in the development of the self-reporting program. The graphs are not to scale, and are intended for illustrative purposes only.

Self-reported IDR complaints



Self-reported Code breaches



2010-18 Timeline



⁴ RG 165.80 'to the customer's complete satisfaction by the end of the fifth business day'

What the Committee achieved

An inquiry into direct debit obligations found there is still work to be done in this area⁵

In September 2017, we held an inquiry into how well subscribers have adopted recommendations made in 2012 into direct debit obligations and whether compliance in this area has improved. Under section D20.1 of the Code, an institution is required to stop a direct debit arrangement linked to a member's transaction account if asked – and to do so promptly.

This Own Motion Inquiry found that although there has been progress, compliance remains patchy and only a minority of institutions are achieving good practice standards. The Committee made six recommendations to improve policy and procedures, customer information and compliance monitoring.

The inquiry – which built on previous inquiries conducted in 2012 and 2010 – found that 52 per cent of subscriber institutions had conducted a compliance review using the Committee's 2012 Compliance Checklist. Most of these institutions found it to be a valuable process that highlighted compliance problems or showed how standards could be raised.

We also found that subscribers use a range of procedural approaches when cancelling direct debits. While only a minority of institutions measure processing times for such requests,

An audit of online customer advice suggested nothing had changed since 2012 – one third still used wording that was unclear or, in one case, incorrect and non-compliant.

all claimed that these are processed promptly, typically on the same day.

Online information for customers emerged as a particular concern. An audit of the websites of 17 large institutions revealed problems with customer advice, suggesting nothing had changed since the recommendations made in 2012 – one third still used wording that was unclear or, in one case, incorrect and non-compliant. Most institutions failed to meet good practice standards regarding availability and accessibility of online information. Some provide no information at all and, whilst others contain information, it is difficult to find with keyword searches.

⁵ See <http://www.cobccc.org.au/uploads/2017/09/COB-OMI-Direct-Debit-Follow-Up-Sep2017.pdf>

While most institutions review their privacy compliance at least once every two years, we found these reviews could be more comprehensive.

We addressed the poor compliance regarding privacy

Privacy and data security compliance will become both more important and more complex to manage as Australia moves towards implementing open banking – yet there is a high level of Code non-compliance in this area. In June 2018, we held an Own Motion Inquiry to investigate this.

The inquiry found that all subscriber institutions have a comprehensive privacy policy accessible to customers. All provide training, but the number of Code breaches caused by human processing error shows that staff need to be made more aware of privacy obligations. While most institutions review their privacy compliance at least once every two years, the inquiry revealed that these reviews could be more comprehensive.

In response to the inquiry's findings, the Committee made 26 recommendations⁶ (see page 5 of the report) and developed a privacy compliance checklist (see page 30 of the report).

The Committee is aware of the time required to provide information, so we aim to gather data in one single Annual Compliance Statement.

We are improving how we collect and use breach and complaints data

This year we made significant changes aimed at simplifying the data collection process and ensuring we gather valuable, detailed information about complaints and Code breaches.

Rather than issuing a number of questionnaires each year, the Committee will collect all breach and complaint data in one single Annual Compliance Statement (ACS). This contains several refinements designed to improve the consistency and quality of the information. The Committee will also seek further information from or verify data with institutions when required.

As size is a significant factor when offering guidance to institutions, the ACS will now ask members to outline the number of staff and branches. The Committee hopes to improve consistency of data by determining itself whether breaches and complaints should be categorised as “significant”, rather than asking members to decide this. We will also be collecting more detailed and specific breach data in a new section of the ACS, which will enable a more robust analysis of breaches.

Feedback from institutions about complaint reporting has led to the inclusion of new categories regarding Internal Dispute Resolution; members will be asked to identify emerging risk areas and to assess the Committee's compliance monitoring efforts, such as whether and how recommendations have been implemented.

⁶ See http://www.cobccc.org.au/uploads/2018/06/COB-OMI_Privacy-26June2018.pdf

Definitions

Breach

A failure to comply with the obligations of the Code in relation to the provision of a customer owned banking service.

Complaint

Any expression of dissatisfaction regarding a customer owned banking product or service where a response or resolution is explicitly or implicitly expected.

Our investigations⁷

The Committee is empowered to investigate allegations of a Code breach from any person and can also initiate investigations without a complaint. The Committee received three matters to examine in 2017-18: a referral from the Financial Ombudsman Service (FOS) Australia⁸ about

co-borrower obligations; an Own Motion Inquiry involving privacy obligations based on a press release from the Australian Securities and Investment Commission; and, a complaint from a consumer that was found to be outside the scope of the Committee.

We engaged with our stakeholders

A vital aspect of maintaining industry professionalism and compliance with the Code of Practice is active engagement with the groups it affects.

In 2017-18, we built on our strong commitment to this with attendance and presentation at conferences, and with regular meetings with consumer groups, ASIC, the Financial Ombudsman Service (FOS) Australia⁸ and FOS systemic issues team, and with the Customer Owned Banking Association (COBA) and GRC Solutions, which COBA recently appointed to provide compliance and legal services to member institutions.

We also sought feedback from a number of Code subscribers about the efficiency of our compliance monitoring activities and own motion inquiries.

We supplemented regular meetings with consumer advocate groups with attendance and presentations at conferences. These provided essential insights into consumer issues and the relevance of Code obligations, particularly to vulnerable consumers facing issues such as financial difficulty, domestic violence and elder abuse.

This year, we were represented at a number of conferences: Committee consumer representative Carolyn Bond and Compliance Manager Daniela Kirchlinde presented at the MAGPI Conference in Melbourne and Carolyn Bond also participated in a panel discussion at the ASIC Annual Forum in Sydney; Committee Chair Sue-Anne Wallace attended the COBA Conference in Brisbane; and, Committee industry representative Anita Schut and General Manager Sally Davis attended the COBA Board Annual Reception in Sydney.

⁷ See table 3 in Appendices for further details

⁸ As from 1 November 2018 known as the Australian Financial Complaints Authority (AFCA), see www.afca.org.au

The Committee's website (www.cobccc.org.au) and COBA's website (www.customerownedbanking.asn.au/consumers/cobcop) detail Code obligations and the Committee's role, functions and work program.

What we published

This year we continued to focus on being more responsive to emerging issues and to making our publications as relevant and current as possible.

We published four articles in [The Circular](#), the online magazine of FOS (editions 30, 31, 32 and 33) and two editions of Accomplish newsletter in 2017, keeping stakeholders up-to-date with activities and Code compliance news (editions 31 and 32).

We also published two reports in response to Committee inquiries: the [Own Motion Inquiry 'Direct Debit Follow-Up'](#) (September 2017), and the [Own Motion Inquiry 'Privacy'](#) (June 2018).

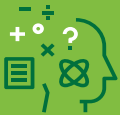
In January 2018, the Committee decided to move away from the regular Accomplish schedule and instead offer insights as issues emerged. To this end, we published a [case study](#) regarding obligations towards co-borrowers in May 2018; and three lessons from the 2017 Annual Compliance Verification Program regarding '[Managing privacy compliance](#)', '[Better breach reporting](#)' and '[Better complaint reporting](#)' (May to June 2018).

Celebrating examples of good practice in 2017-18



Making training truly engaging

One micro institution learned that although staff signed a confirmation statement when they completed training, they weren't engaging with the subject. In response, the institution created a follow-up 10-question quiz, reviewing and updating the questions annually. The institution reports that this has enhanced staff engagement in training and helps them to remember what they learnt.



Reaching more staff with compliance monitoring

One large institution conducts a compliance monitoring exercise in which a case study or scenario is read to a staff member over the phone. The member is then quizzed about their knowledge of compliance issues. Three or four staff are surveyed each month, with selection based on key risk areas, previous breaches, or other compliance issues. Recently, the institution expanded this to email quizzes. Some are mandatory, some voluntary – but there are incentives to participate. This approach has allowed the compliance team to reach a larger and more diverse group, comprising around 200 staff.



Flagging potential Code breaches

It is now mandatory for staff logging complaints at one large institution to use a scale of likelihood to see if it has a potential regulatory impact. If flagged as such, the legal and compliance team assesses the incident to determine whether it involves a Code breach. The institution now has a data analyst in its consumer advocacy team dedicated to complaints and breach data.



Improving the incident management system

One large institution implemented a new incident management system. All incidents – not only those related to licence and regulatory obligations – are assessed against the Code's 10 key promises and provisions. In the year after implementation, recorded Code incidents jumped from 100 to 300.



Documenting every complaint

All staff at one micro institution are encouraged to document even the simplest of complaints. Management can then check that resolutions are appropriate and identify emerging issues and trends. These are discussed as part of a fortnightly feedback and learning process.



Logging complaints with just a few clicks

One large institution has simplified the process for recording, managing, monitoring and reporting complaints. Changes in the drop-down menu of its complaints register mean staff can now record a complaint with a few clicks. The institution is now considering merging its enterprise risk management system with its customer service system to create a simpler single core operating system.

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Appendix A: About the Code

The 2014 Customer Owned Banking Code of Practice sets standards of good industry practice for the 64 institutions that have agreed to comply with its provisions when dealing with current and prospective individual and small business customers. By subscribing to the Code, customer owned banking institutions have voluntarily committed to uphold good industry practice, promote informed decision-making about their services, and act fairly and reasonably in delivering those services.

The Code is owned and published by of the Customer Owned Banking Association ([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.

The Code has been revised to accommodate changes the Australian Securities and Investments Commission ([ASIC](#)) made to [Regulatory Guide 221 Facilitating digital financial services disclosures](#) and the *e-Payments Code*. The revised Code has been effective from 1 July 2016. A further update was published, effective 1 January 2018, when Mike Lawrence commenced as the new COBA Chief Executive Officer.

Key promises

The Code sets out 10 key promises: general principles or values that apply to institutions' dealings with all customers, as well as the broader community. Code subscribers have committed to these key promises, which apply to all customer owned banking services delivered by Code subscribers to individuals and small business across Australia.

Table 1: The 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 the Customer Owned Banking Code of Practice.*

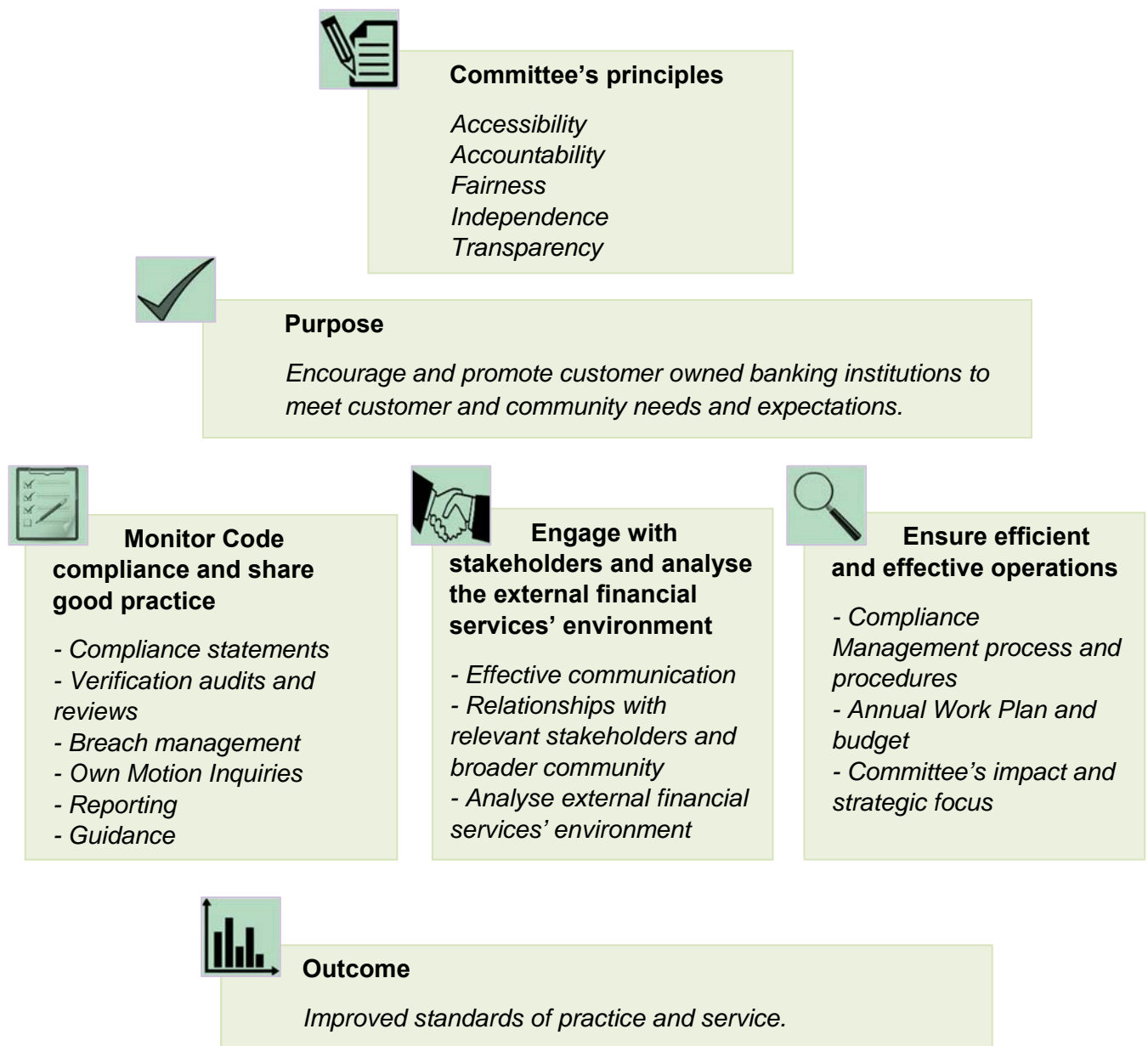
The Code consists of five parts. Part D includes thirty specific sections which detail how these key promises are to be delivered by Code subscribers. Part A, B, C and E provide the important framework of the Code.

Code subscribers as at 30 June 2018 are listed in [Appendix D](#).

Appendix B: Code Compliance Committee

The Code Compliance Committee ([the Committee](#)) is an independent compliance monitoring body established under Section 4 of the *Customer Owned Banking Code Compliance Committee Charter* and Part E of the Code, under the authority of the Board of COBA.

The diagram below sets out the Committee's principles and purpose, along with its key objectives.



Committee members



**Dr Sue-Anne Wallace AM
Chairman**

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

Previous appointment: 18 April 2013 to 18 April 2016¹

Appointed: 18 February 2014²

Term expires: 18 February 2019³ (final term)

Sue-Anne has extensive experience in the not-for-profit sector. Now in her sixth year as independent chairman of the Customer Owned Banking Code Compliance Committee, she is also Vice-President of the international certifier Humanitarian Quality Assurance Initiative (Geneva) and Deputy Chair of the Code Authority of the Fundraising Institute Australia. She was formerly chair of the Australian Council for International Development's Code of Conduct. She holds non-executive director positions with several charitable organisations.

For the past 15 years, Sue-Anne has focused on governance and self-regulation in the not-for-profit sector. In 2014 she was awarded a Churchill Fellowship to investigate self-regulatory codes of conduct and complaints handling in the not-for-profit sector.

In 2017, Sue-Anne was appointed as a Member of the Order of Australia (AM) for significant service to the not-for-profit sector, particularly through fundraising reform and codes of conduct.

In 2017-18, the Committee met formally four times. It also had informal individual meetings with the Code Team via telephone conferences, as well as meetings with COBA, regulators and other stakeholders. The Committee Chairman meets with the Chairman of COBA's Board of Directors from time to time.



**Anita Schut
Industry Representative**

BA (Asian Studies), Grad Dip Personnel
Mgt

Appointed: 1 January 2014

Term expires: 31 December 2019⁴ (final term)

Anita is the Head of Legal, Governance and Compliance at Unity Bank and is the informal Chair and founder of the NSW Mutual Compliance Group. She has more than 20 years' experience working in compliance, including as Banking Compliance Manager for Citibank Australia, and has extensive broader financial services industry experience including lending, human resources and project management roles.

Anita has completed the Australian Compliance Institute Certified Compliance Professional program.



**Carolyn Bond AO
Consumer Representative**

Appointed: 1 March 2015

Term expires: 28 February 2020⁵ (final term)

Carolyn has worked in the consumer advocacy field for more than 20 years, focusing primarily on issues such as consumer credit, debt collection and high pressure selling. Carolyn was co-CEO of the Consumer Action Law Centre, and Chair of the Consumers Federation of Australia. She has represented consumers on a number of bodies including the Commonwealth Consumer Affairs Advisory Council and the ASIC Consumer Advisory Committee. She has been a director of the Victorian Legal Services Board, the former Banking and Financial Services Ombudsman and the Energy and Water Ombudsman Victoria.

Carolyn is currently supporting community organisations to contribute to industry policies which improve financial outcomes for family violence victims. She is a director of the Financial Counselling Foundation and the Financial Advisers Standards and Ethics Authority.

¹ Under the 2010 Mutual Banking Code of Practice.

² Appointed under the revised Code (section 5.5).

³ Re-appointed as at 18 February 2016.



⁴ Re-appointed as at 31 December 2016.

⁵ Re-appointed as at 28 February 2017.

Appendix C: Compliance Manager

The Financial Ombudsman Service (FOS) Australia (Compliance Manager⁶) provides Code monitoring and administration services to the Committee and COBA by agreement. FOS has appointed a dedicated team of staff (Code Team) within its office to undertake that task.

Code Team staff

| | |
|---|--|
|  <p>Sally Davis General Manager Code Compliance & Monitoring BComm, LLB, Grad Dip (Arts)</p> <p>Appointed: Sep 2015 – current</p> |  <p>Daniela Kirchlind Compliance Manager BComm, Grad Dip (Finance and Investment)</p> <p>Appointed: Oct 2009 – current</p> |
| <p>Sally commenced as General Manager of Code Compliance and Monitoring at the Financial Ombudsman Service (FOS) Australia in September 2015.</p> <p>Sally previously worked as Senior Manager of Systemic Issues at FOS and has worked at FOS and its predecessor schemes for 18 years. Sally is an accredited mediator and holds a Bachelor of Commerce and a Bachelor of Laws degree from the University of Melbourne, a Graduate Diploma (Arts) from Monash University and is a Graduate of the Australian Institute of Company Directors.</p> <p>Sally brings to this position extensive experience in financial services, as well as good relationships with regulators, industry and consumer groups.</p> <p>Her work as General Manager involves the oversight of four other codes of practice in the financial services industry in addition to the Customer Owned Banking Code of Practice.</p> | <p>Daniela has a background in dispute resolution and broad insurance industry experience in Australia, England and Germany. Daniela previously worked as Complaints and Compliance Manager at FOS and its predecessor schemes for 22 years.</p> <p>In addition to her Compliance Management role, she manages compliance for the Insurance Brokers Code of Practice.</p> <p>Daniela holds a Bachelor of Commerce from the Cologne University (Germany) and a Graduate Diploma in Finance and Investment from the Australian Securities Institute Melbourne.</p> |

⁶ As per Customer Owned Banking Code Compliance Committee Charter section 4.4.

Appendix D: Code subscribers as at 30 June 2018

| | |
|---|---|
| Australian Central Credit Union Ltd | First Option Credit Union Limited |
| t/as People's Choice Credit Union | Ford Co-operative Credit Society Limited |
| Bank Australia Limited | Gateway Bank Limited |
| t/as Bank Australia | G&C Mutual Bank Limited |
| t/as Intech Bank | t/as G&C Mutual Bank |
| B&E Limited | t/as Quay Mutual Bank |
| t/as Bank of us | Goulburn Murray Credit Union Co-Operative Ltd |
| Big Sky Building Society Ltd | Greater Bank |
| Broken Hill Community Credit Union Ltd | Heritage Bank Limited |
| Capricornian Ltd | Holiday Coast Credit Union Ltd |
| Central Coast Credit Union | Horizon Credit Union Ltd |
| Central Murray Credit Union Ltd | Hume Bank Limited |
| Central West Credit Union Limited | Laboratories Credit Union Limited |
| Coastline Credit Union Ltd | Lysaght Credit Union Ltd |
| Community Alliance Credit Union Limited | Macarthur Credit Union Ltd |
| t/as Catalyst Money | t/as The Mac |
| t/as Illawarra Credit Union | Macquarie Credit Union Ltd |
| Community CPS Australia Limited | Maitland Mutual Building Society Ltd |
| t/as Beyond Bank | t/as The Mutual |
| Community First Credit Union Limited | MCU Limited |
| t/as Cape Credit Union | t/as Maleny Credit Union |
| t/as Community First Credit Union | Members Banking Group Limited |
| t/as Northern Beaches Credit Union | t/as RACQ Bank |
| Community Mutual Ltd | Northern Inland Credit Union Ltd |
| t/as Regional Australia Bank | Orange Credit Union Limited |
| Credit Union Australia Ltd | Police and Nurses Limited |
| t/as CUA | t/as P&N Bank |
| Credit Union SA Limited | Police Bank Ltd |
| Defence Bank Limited | t/as Police Bank |
| Dnister Ukrainian Credit Co-Operative Ltd | t/as Customs Bank |
| EECU Limited | t/as Bank of Heritage Isle |
| t/as Nexus Mutual | Police Credit Union Limited |
| Endeavour Mutual Bank Ltd | Pulse Credit Union Ltd |
| Family First Credit Union Limited | t/as Pulse Credit Union |
| Fire Service Credit Union Ltd | t/as La Trobe University Credit Union |
| Firefighters & Affiliates Credit Co-operative Limited | t/as Melbourne University Credit Union |
| t/as Firefighters Credit Union | QPCU Limited |
| First Choice Credit Union Ltd | t/as QBANK |

| | |
|--|---|
| Qudos Mutual Limited | Traditional Credit Union Ltd |
| t/as Qudos Bank | Transport Mutual Credit Union Ltd |
| Queensland Country Credit Union Limited | Unity Bank |
| t/as Queenslanders Credit Union | t/as Unity Bank Limited |
| Railways Credit Union Ltd | t/as Bankstown City Unity Bank |
| t/as MOVE Bank | t/as Reliance Bank |
| South West Credit Union Co-operative Ltd | Victoria Teachers Limited |
| South West Slopes Credit Union Ltd | t/as Bank First |
| Southern Cross Credit Union Ltd | Warwick Credit Union Ltd |
| Summerland Credit Union Limited | WAW Credit Union Co-operative Ltd |
| Sydney Credit Union Ltd | Woolworths Employees Credit Union Limited |
| t/as SCU | |
| t/as Comtax Credit Union | |
| Teachers Mutual Bank Limited | |
| t/as Teachers Mutual Bank | |
| t/as UniBank | |
| t/as Firefighters Mutual Bank | |

Table 2: Code subscribers by state (head office) and size of institution⁷

| By \$ amount in assets By number of active members | NSW | NT | QLD | SA | TAS | VIC | WA | Total |
|---|-----------|----------|----------|----------|----------|-----------|----------|-----------|
| Large institutions (over \$1b) | 11 | - | 3 | 3 | - | 3 | 1 | 21 |
| Over 200,000 | 2 | - | 2 | 1 | - | - | - | 5 |
| Between 100,000 and 200,000 | 1 | - | - | - | - | 2 | - | 3 |
| Between 50,000 and 100,000 | 5 | - | 1 | - | - | 1 | 1 | 8 |
| Between 10,000 and 50,000 | 3 | - | - | 2 | - | - | - | 5 |
| Medium institutions (\$500m to \$1b) | 6 | - | 2 | - | 1 | 1 | - | 10 |
| Between 10,000 and 50,000 | 6 | - | 2 | - | 1 | 1 | - | 10 |
| Small institutions (\$200m to \$500m) | 6 | - | 3 | - | - | 3 | - | 12 |
| Between 50,000 and 100,000 | - | - | 1 | - | - | - | - | 1 |
| Between 10,000 and 50,000 | 5 | - | 2 | - | - | 2 | - | 9 |
| Up to 10,000 | 1 | - | - | - | - | 1 | - | 2 |
| Micro institutions (up to \$200m) | 10 | 1 | 1 | 2 | - | 7 | - | 21 |
| Between 10,000 and 50,000 | 2 | - | - | - | - | 2 | - | 4 |
| Up to 10,000 | 8 | 1 | 1 | 2 | - | 5 | - | 17 |
| Total | 33 | 1 | 9 | 5 | 1 | 14 | 1 | 64 |
| Comparison to 2016-17 | 36 | 1 | 10 | 5 | 1 | 13 | 1 | 67 |
| Comparison to 2015-16 | 40 | 1 | 11 | 5 | 1 | 14 | 1 | 73 |
| Comparison to 2014-15 | 44 | 1 | 12 | 5 | 1 | 16 | 1 | 80 |

⁷ Institutions are counted by Australian Financial Service License.

Appendix E: Investigations

The Charter⁸ and the Code empower the Committee to investigate allegations from any person that a customer owned banking institution has breached the Code. The Committee is able to investigate instances of alleged non-compliance, and to identify and monitor emerging industry issues.

While the Committee cannot consider claims for compensation and loss, it can initiate Code investigations without needing a complaint to act as a trigger. These investigations are mainly used to identify and assess:

- whether a breach has occurred and its extent
- the broader and potential impacts of a breach
- the effect of non-compliance on the customer owned banking institution and its customers
- the root cause of the breach and whether it may be systemic or significant, and
- any remedial action proposed or taken by the customer owned banking institution.

While every investigation is unique, each aims to achieve compliance outcomes that improve customer owned banking standards.

Following a review of an alleged Code breach, the Committee expects Code subscribers to:

- positively engage with the Committee
- thoroughly review the incident to assess if it constitutes a breach of the Code
- report the breach in their breach register (if a breach of the Code has occurred)
- report the breach to executive management
- identify all customers potentially affected by the events
- assess if the breach is systemic and/or significant
- take remedial action to address the cause of non-compliance
- review and enhance processes and procedures
- train staff and authorised representatives accordingly.

⁸ The Charter governs the relationship between the Committee and the COBA Board. Together with the Code, it sets out the terms under which the Committee operates, for the purpose of exercising its powers, functions and duties.

Investigations registered in 2017-18

In 2017-18 the Committee received three new matters for investigation, with one being outside its Terms of Reference.

Table 3: New investigations registered in 2017-18

| | |
|---|--|
| Section D23 Information privacy and security | <p>Issue</p> <p>Following an ASIC investigation, a financial planner (FP) has been charged over fraudulent voting in the director elections for an institution.</p> <p>The institution conducted elections to fill two vacant board positions. The voting took place electronically, with the institution's members using their personal details to gain access to an online portal to cast votes.</p> <p>ASIC alleged that the FP misused the personal details of approximately 499 members to gain access to the online voting portal and cast ballots in the election for two candidates without the authorisation of those members. ASIC alleges that the FP sourced those details from a list of the institution's customers that he had obtained for the purposes of marketing his financial planning services.</p> <p>ASIC alleged that the consequences of the FP's voting was that one person was improperly elected to the institution's board and another person who should have been elected was not.</p> <p>The FP has been charged with one count of causing unauthorised modification to data held in a computer contrary to section 247C of the Victorian Crimes Act, which carries a maximum penalty of 10 years imprisonment.</p> <p>Key findings by the Committee</p> <ul style="list-style-type: none">• The institution confirmed that it did not provide customer data to the FP.• If a customer required financial planning services, the institution would either provide the customer with the FP's contact details or offer to arrange a meeting between the FP and the customer.• It was then up to the customer to provide any details to the FP if financial planning services were required. <p>The Committee dismissed the matter as there was no evidence of a breach by the institution regarding Section D23 of the Code (information privacy and security).</p> <p>Outcome</p> <p>Closed – no Code breach.</p> |
|---|--|

Issue

The institution provided the Applicant and her then husband (co-borrower) with a personal loan (the Loan). The purpose of the Loan was to refinance existing liabilities.

The Applicant stated that she did not benefit from the Loan and should not have been signed up as a co-borrower. She also stated that she could not afford the loan and that it should never have been provided. She referred to her husband suffering from gambling and alcohol addiction and that the household did not receive any benefit from the loans.

Issues and key findings of determination addressed by FOS:

The matter was initially registered and determined by the Financial Ombudsman Service (FOS) Australia:

- The institution was not entitled to accept the Applicant as a co-borrower as the information available to the institution showed that she did not obtain a benefit from the majority of the loan funds.
- There is no available information to show that the institution should have been aware that the Applicant and co-borrower could not service the Loan.

Determination by FOS:

This determination was substantially in favour of the Applicant.

The Applicant is only liable for the Loan (the revised liability) in so far as it refinanced an existing joint personal loan held with the institution. The Applicant is released from liability with respect to the remaining balance of the Loan.

Application of the Customer Owned Banking Code of Practice

The Customer Owned Banking Code of Practice (the Code) sets out the FSP's obligations when considering a joint loan application. In particular, Section D11 states:

11 Safeguards for co-borrowers

11.1 We will not accept you as a co-borrower if we are aware, or ought to be aware, that you will not receive a benefit from the loan or other credit facility.

The Code provision was introduced to provide guidance to its subscribers about how to ensure that guarantors should not be documented as co-borrowers, even when they have participated in the loan application process.

The Code reflects the legal principles considered above and should not set a standard less than what the law would require.

The Applicant must receive a real benefit from the loan

A number of court cases have considered whether the guarantor is a volunteer. The cases have said that a guarantor will not be a volunteer if

**Outside
scope**

they receive no benefit from the loan being guaranteed. The Code also uses the word “benefit” and so these cases provide relevant guidance as to what is a benefit from a loan or other credit facility.

The test that has been applied is a “real benefit”⁹ which must be a “direct or immediate gain”.¹⁰ A benefit through an improved lifestyle obtained through the loan is not sufficient¹¹.

The institution suggested that because the Applicant received some benefit, that is sufficient for paragraph 11 of the Code. However, such an approach is not consistent with general law principles, which provide that where a person receives a limited benefit from a loan then their liability will be restricted to those loan funds from which they received a direct benefit¹².

Outcome

The Committee issued a notice of proposed determination (NOPD) noting a Code breach and highlighting that there needs to be a direct benefit if the institutions signs up a co-borrower. A guarantor, by the very nature of a guarantor, does not have a direct benefit of a loan and should be made aware of the rights to not enter into the contract, the financial risk, seek legal advice, etc. The institution accepted the NOPD.

Closed – Code breach.

Issue

The Applicant alleged that she has been the long-term target of identity theft, involving several banks. It involved a financial scam and the establishment of a fake home loan to gain access to her wages and funds. Among various other allegations, she stated that she has also been the victim of assaults and death threats.

Outcome

The named institutions were not subscribers to the Code. The Applicant was referred to the relevant other authorities.

Closed – outside scope.

⁹ State Bank of NSW v Chia [2000] NSWSC at [213] and [214].

¹⁰ Agripay Pty Ltd v Byrne [2011] QCA 85 at [11] and [62].

¹¹ In Agripay the “lifestyle benefit through lowering of her husband’s tax bill was too indirect and prospective to deny her the capacity of volunteer” at [62]. In Chia at [214] “the possibility of some incidental benefit to the wife – perhaps in the form of an improved lifestyle, achieved through her husband’s business success which itself was made possible by money borrowed upon security provided by the wife – is not sufficient to render the wife other than a volunteer”.

¹² Chia at [214].

Appendix F: Comparative data of self-reported Code breaches

Table 4: Self-recorded breaches by Code category and section since 2012-13

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|--|------------|------------|------------|------------|------------|--------------|
| | Total | Total | Total | Total | Total | Total |
| General commitments | 301 | 279 | 361 | 394 | 539 | 1,317 |
| Key commitments | 290 | 258 | 319 | 340 | 428 | 1,187 |
| KP1 Be fair and ethical | 0 | 2 | 26 | 3 | 4 | 4 |
| KP2 Focus on our customers | 41 | 21 | 20 | 27 | 84 | 9 |
| KP5 Deliver high customer service | 166 | 127 | 162 | 166 | 70 | 838 |
| KP7 Recognise our customers' rights as owners | 0 | 0 | 0 | 3 | 129 | 2 |
| KP8 Comply with legal and industry obligations | 82 | 91 | 111 | 132 | 138 | 334 |
| KP9 Recognise impact on wider community | 1 | 17 | 0 | 9 | 3 | 0 |
| Provision of general information | 11 | 21 | 42 | 54 | 111 | 130 |
| KP3 Clear information | 11 | 2 | 0 | 27 | 24 | 67 |
| D2 Product information | 0 | 18 | 32 | 23 | 81 | 38 |
| D19 Copies of documents | 0 | 1 | 10 | 4 | 6 | 25 |
| Disclosure | 94 | 68 | 59 | 71 | 80 | 39 |
| Interest rates, fees and charges | 58 | 65 | 57 | 55 | 61 | 35 |
| D3 Interest rates, fees and charges | 52 | 65 | 49 | 54 | 45 | 32 |
| D5 Reviewing fees and charges | 6 | 0 | 8 | 1 | 16 | 3 |
| T&C and changes to T&C | 36 | 3 | 2 | 16 | 19 | 4 |
| D4 Fair terms and conditions | 25 | 0 | 0 | 11 | 2 | 0 |
| D17 Notifying changes to your account | 11 | 3 | 2 | 5 | 17 | 4 |
| Provision of customer owned banking service | 351 | 284 | 34 | 42 | 55 | 34 |
| D13 Third party products | 166 | 84 | 4 | 9 | 14 | 4 |
| D16 Statement of accounts | 14 | 11 | 22 | 23 | 27 | 11 |
| D20 Direct debit arrangements | 15 | 9 | 4 | 3 | 7 | 13 |
| D21 Chargebacks | 151 | 172 | 0 | 4 | 2 | 5 |
| D21.3 Recurring payment arrangements | 2 | 3 | 3 | 2 | 0 | 0 |
| D22 Closure of accounts | 2 | 4 | 1 | 1 | 5 | 1 |

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|--|------------|------------|------------|------------|------------|------------|
| | Total | Total | Total | Total | Total | Total |
| D26.5 Centrelink requirements | 1 | 1 | 0 | 0 | 0 | 0 |
| Provision of credit | 17 | 19 | 20 | 36 | 169 | 136 |
| Credit assessment, responsible lending and financial difficulty | 12 | 16 | 18 | 32 | 152 | 114 |
| KP4 We will be responsible lenders | 4 | 4 | 2 | 8 | 7 | 8 |
| D6 Responsible lending practices | 6 | 9 | 15 | 20 | 143 | 106 |
| D7 Credit limit increase offers | 0 | 0 | 0 | 1 | 0 | 0 |
| D24 If you are in financial difficulties | 2 | 3 | 1 | 3 | 2 | 0 |
| Joint debtors, accounts & sub. cards | 1 | 0 | 0 | 1 | 11 | 20 |
| D9 Joint accounts | 1 | 0 | 0 | 0 | 9 | 16 |
| D10 Subsidiary cards | 0 | 0 | 0 | 0 | 2 | 0 |
| D11 Safeguards for co-borrowers | 0 | 0 | 0 | 1 | 0 | 4 |
| Other provision of credit obligations | 4 | 3 | 2 | 3 | 6 | 2 |
| D8 Reverse mortgage loans | 0 | 0 | 0 | 0 | 0 | 0 |
| D12 Safeguard for loan guarantors | 2 | 0 | 1 | 2 | 2 | 1 |
| D26 Debt collection and legal action | 2 | 3 | 1 | 1 | 4 | 1 |
| Other Code obligations (such as Training, Privacy, IDR) | 170 | 156 | 177 | 286 | 379 | 478 |
| Privacy and confidentiality | 112 | 106 | 131 | 249 | 294 | 435 |
| D23 Information privacy and security | 112 | 106 | 131 | 249 | 294 | 435 |
| Advertising | 8 | 11 | 13 | 19 | 21 | 20 |
| D1 Advertising | 8 | 11 | 13 | 19 | 21 | 20 |
| Communication | 21 | 24 | 27 | 7 | 18 | 13 |
| D15 Timely, clear and effective | 12 | 20 | 21 | 4 | 15 | 11 |
| D18 Electronically | 9 | 3 | 6 | 3 | 3 | 2 |
| D25 Working with your representative | 0 | 1 | 0 | 0 | 0 | 0 |
| Training | 4 | 5 | 3 | 4 | 5 | 6 |
| D14 Use of finance brokers | 0 | 0 | 0 | 0 | 0 | 0 |
| E2 Training our staff | 4 | 5 | 3 | 4 | 5 | 6 |
| Dispute Resolution | 15 | 5 | 3 | 6 | 41 | 4 |
| KP6 Deal fairly with any complaints | 6 | 0 | 0 | 0 | 0 | 0 |
| D27 Prompt, fair resolution of complaints | 4 | 3 | 0 | 5 | 39 | 2 |

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|-------------------------------------|------------|------------|------------|------------|--------------|--------------|
| | Total | Total | Total | Total | Total | Total |
| D28 Our complaints handling process | 5 | 1 | 2 | 1 | 1 | 1 |
| D29 External Dispute Resolution | 0 | 1 | 1 | 0 | 1 | 0 |
| D30 Complaints about Code breaches | 0 | 0 | 0 | 0 | 0 | 1 |
| Promotion of the Code | 10 | 5 | 0 | 1 | 0 | 0 |
| B Commitment to comply with Code | 4 | 0 | 0 | 0 | 0 | 0 |
| KP10 Support and promote Code | 1 | 0 | 0 | 1 | 0 | 0 |
| E1 Publicising the Code | 5 | 5 | 0 | 0 | 0 | 0 |
| Grand Total | 933 | 806 | 651 | 829 | 1,222 | 2,004 |

Chart 1: Self-reported Code breaches by general categories since 2012-13

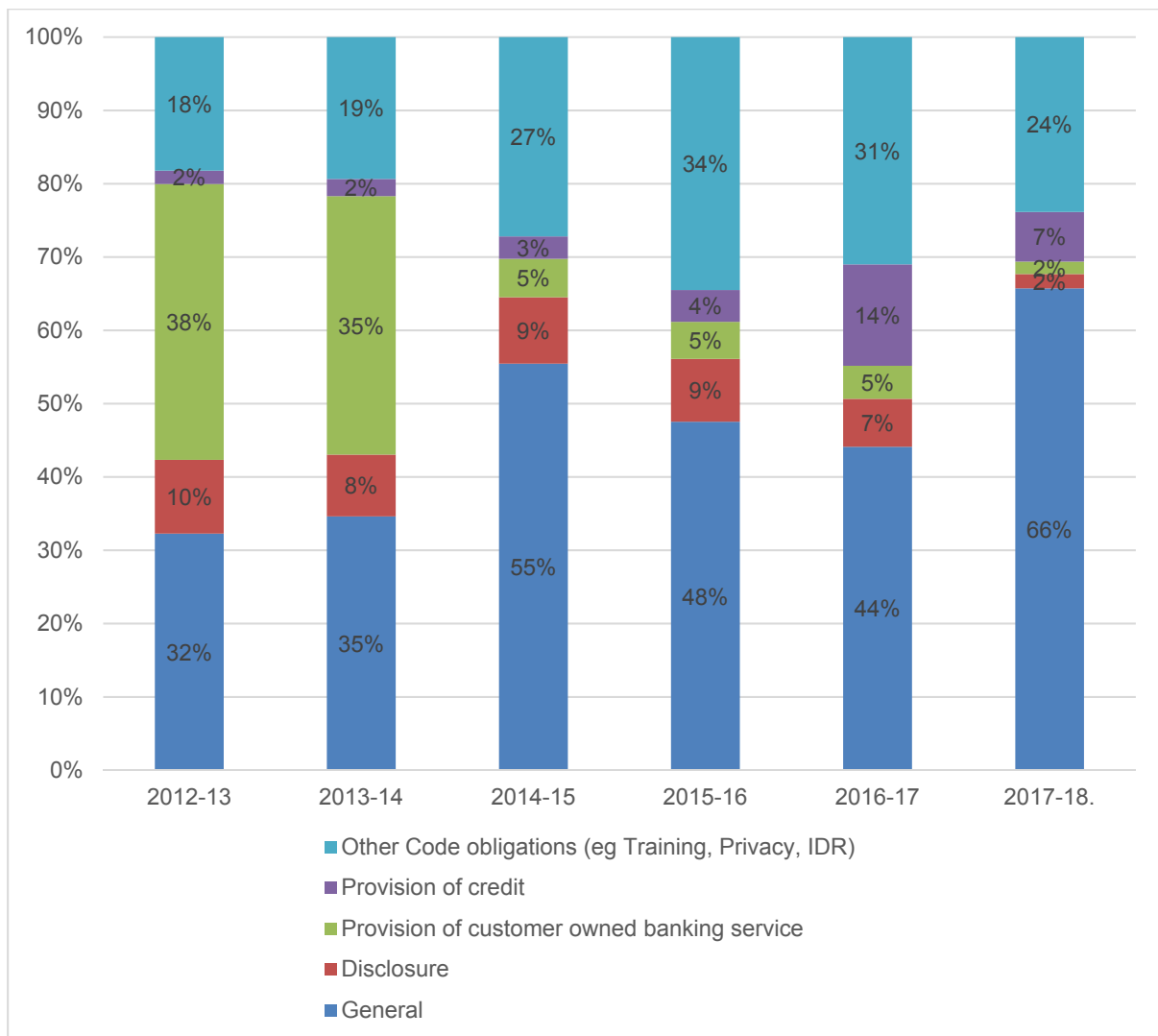


Table 5: Number of institutions self-reporting Code breaches since 2012-13

| Number of self-reported Code breaches | Number of institutions | | | | | |
|---------------------------------------|------------------------|---------|---------|---------|---------|-----------------|
| | 2012–13 | 2013–14 | 2014–15 | 2015–16 | 2016-17 | 2017-18 |
| Nil breaches | 35 | 39 | 31 | 24 | 16 | 18 |
| Between 1 to 10 breaches | 39 | 32 | 33 | 27 | 29 | 25 |
| Between 11 to 20 breaches | 7 | 10 | 5 | 8 | 6 | 5 |
| Between 21 to 50 breaches | 7 | 6 | 9 | 9 | 11 | 9 |
| Between 51 to 100 breaches | 2 | 1 | 2 | 5 | 3 | 2 |
| Over 100 breaches | 1 | 1 | 0 | 0 | 2 | 5 ¹³ |

¹³ One large institution self-reported 906 Code breaches.

Appendix G: Self-recorded Code breach data by size of institution

Table 6: Self-reported breaches within each Code category by size of institution in 2017-18

| Service Standards | Micro institution | Small institution | Medium institution | Large institution | Total |
|--|-------------------|-------------------|--------------------|-------------------|--------------|
| Grand Total | 95 | 22 | 136 | 1,751 | 2,004 |
| General commitments | 62 | 4 | 89 | 1,162 | 1,317 |
| Key commitments | 45 | 3 | 84 | 1,055 | 1,187 |
| KP1 Be fair and ethical | 0 | 0 | 0 | 4 | 4 |
| KP2 Focus on our customers | 6 | 0 | 3 | 0 | 9 |
| KP5 Deliver high customer service | 34 | 3 | 18 | 783 ¹⁴ | 838 |
| KP7 Recognise our customers' rights | 0 | 0 | 2 | 0 | 2 |
| KP8 Comply with legal & industry oblig. | 5 | 0 | 61 | 268 ¹⁵ | 334 |
| KP9 Recognise impact on community | 0 | 0 | 0 | 0 | 0 |
| Provision of general information | 17 | 1 | 5 | 107 | 130 |
| KP3 Clear information | 1 | 0 | 2 | 64 ¹⁶ | 67 |
| D2 product information | 8 | 0 | 3 | 27 | 38 |
| D19 copies of documents | 8 | 1 | 0 | 16 | 25 |
| Disclosure | 5 | 0 | 7 | 27 | 39 |
| Interest rates, fees and charges | 2 | 0 | 7 | 26 | 35 |
| D3 Interest rates, fees and charges | 0 | 0 | 7 | 25 | 32 |
| D5 Reviewing fees and charges | 2 | 0 | 0 | 1 | 3 |
| T&C and changes to T&C | 3 | 0 | 0 | 1 | 4 |
| D4 Fair terms and conditions | 0 | 0 | 0 | 0 | 0 |
| D17 Notifying changes to your account | 3 | 0 | 0 | 1 | 4 |
| Provision of customer owned banking service | 14 | 2 | 5 | 13 | 34 |
| D13 Third party products | 1 | 0 | 0 | 3 | 4 |
| D16 Statement of accounts | 0 | 2 | 2 | 7 | 11 |
| D20 Direct debit arrangements | 9 | 0 | 2 | 2 | 13 |
| D21 Chargebacks | 4 | 0 | 1 | 0 | 5 |
| D21.3 Recurring payment arrangements | 0 | 0 | 0 | 0 | 0 |
| D22 Closure of accounts | 0 | 0 | 0 | 1 | 1 |

¹⁴ 718 (92%) self-reported by one institution in this category.

¹⁵ 77 (29%) self-reported by one institution in this category.

¹⁶ 46 (72%) self-reported by one institution in this category.

| Service Standards | Micro institution | Small institution | Medium institution | Large institution | Total |
|--|-------------------|-------------------|--------------------|-------------------|-------|
| D26.5 Centrelink requirements | 0 | 0 | 0 | 0 | 0 |
| Provision of credit | 0 | 1 | 10 | 125 | 136 |
| Credit assessment, responsible lending and financial difficulty | 0 | 1 | 9 | 104 | 114 |
| KP4 We will be responsible lenders | 0 | 0 | 1 | 7 | 8 |
| D6 Responsible lending practices | 0 | 1 | 8 | 97 ¹⁷ | 106 |
| D7 Credit limit increase offers | 0 | 0 | 0 | 0 | 0 |
| D24 If you are in financial difficulties | 0 | 0 | 0 | 0 | 0 |
| Joint debtors, accounts & sub. cards | 0 | 0 | 0 | 20 | 20 |
| D9 Joint accounts | 0 | 0 | 0 | 16 ¹⁸ | 16 |
| D10 Subsidiary cards | 0 | 0 | 0 | 0 | 0 |
| D11 Safeguards for co-borrowers | 0 | 0 | 0 | 4 | 4 |
| Other provision of credit obligations | 0 | 0 | 1 | 1 | 2 |
| D8 Reverse mortgage loans | 0 | 0 | 0 | 0 | 0 |
| D12 Safeguard for loan guarantors | 0 | 0 | 0 | 1 | 1 |
| D26 Debt collection and legal action | 0 | 0 | 1 | 0 | 1 |
| Other Code obligations (such as Training, Privacy, IDR) | 14 | 15 | 25 | 424 | 478 |
| Privacy and confidentiality | 9 | 14 | 18 | 394 | 435 |
| D23 Information privacy and security | 9 | 14 | 18 | 394 ¹⁹ | 435 |
| Advertising | 2 | 0 | 0 | 18 | 20 |
| D1 Advertising | 2 | 0 | 0 | 18 | 20 |
| Communication | 2 | 1 | 1 | 9 | 13 |
| D15 Timely, clear and effective | 1 | 1 | 1 | 8 | 11 |
| D18 Electronically | 1 | 0 | 0 | 1 | 2 |
| D25 Working with your representative | 0 | 0 | 0 | 0 | 0 |
| Training | 0 | 0 | 6 | 0 | 6 |
| D14 Use of finance brokers | 0 | 0 | 0 | 0 | 0 |
| E2 Training our staff | 0 | 0 | 6 | 0 | 6 |
| Dispute Resolution | 1 | 0 | 0 | 3 | 4 |
| KP6 Deal fairly with any complaints | 0 | 0 | 0 | 0 | 0 |
| D27 Prompt, fair resolution of complaints | 0 | 0 | 0 | 2 | 2 |
| D28 Our complaints handling process | 0 | 0 | 0 | 1 | 1 |
| D29 External Dispute Resolution | 0 | 0 | 0 | 0 | 0 |
| D30 Complaints about Code breaches | 1 | 0 | 0 | 0 | 1 |
| Promotion of the Code | 0 | 0 | 0 | 0 | 0 |
| B Commitment to comply with Code | 0 | 0 | 0 | 0 | 0 |
| KP10 Support and promote Code | 0 | 0 | 0 | 0 | 0 |
| E1 Publicising the Code | 0 | 0 | 0 | 0 | 0 |

¹⁷ 83 (78%) self-reported by two institutions in this category.

¹⁸ 10 (63%) self-reported by one institution in this category.

¹⁹ 60 (15%) self-reported by one institution in this category.

Table 7: Number of self-reported Code breaches by size of institution in 2017-18

| Number of self-reported Code breaches | Micro institution | Small institution | Medium institution | Large institution | Total |
|--|-------------------|-------------------|--------------------|-------------------|-----------|
| Nil | 10 | 6 | 1 | 1 | 18 |
| 1 to 10 | 9 | 5 | 4 | 7 | 25 |
| 11 to 20 | 0 | 1 | 2 | 2 | 5 |
| 21 to 50 | 2 | 0 | 3 | 4 | 9 |
| 51 to 100 | 0 | 0 | 0 | 2 | 2 |
| Over 100 | 0 | 0 | 0 | 5 | 5 |
| <i>Mean number of self-reported breaches 2017-18</i> | 4.5 | 1.8 | 13.6 | 83.4 | 31.3 |
| <i>Mean number of self-reported breaches 2016-17</i> | 3.6 | 4.4 | 12.6 | 53.1 | 18.1 |
| <i>Mean number of self-reported breaches 2015-16</i> | 3.9 | 3.1 | 14.1 | 28.5 | 11.2 |

Chart 2: Self-reported Code breaches by size of institution since 2012-13



Appendix H: Root causes and impact of self-reported Code breaches

Table 8: Root causes of self-reported breaches by Code section in 2017-18

Note: numbers reflect incidents which in some cases would represent more than one breach. Not all institutions provided conclusive information for each category.

| | <i>external</i> | <i>incorrect process and procedure</i> | <i>process and procedure not followed</i> | <i>process failure</i> | <i>system error</i> | <i>manual error</i> | <i>staff error</i> | <i>staffing resources issue</i> | <i>insufficient training</i> | <i>staff misconduct</i> | <i>mail-house error</i> | <i>other</i> |
|---|-----------------|--|---|------------------------|---------------------|---------------------|--------------------|---------------------------------|------------------------------|-------------------------|-------------------------|--------------|
| KP1 We will be fair and ethical in our dealings with you | | | 1 | | | 2 | | | 1 | 1 | | |
| KP2 We will focus on our customers | | 1 | 1 | | | 2 | | | | 3 | | 2 |
| KP3 We will give you clear information about our products and services | | | 3 | | 4 | 5 | 3 | | 2 | | | 9 |
| KP4 We will be responsible lenders | | 1 | 4 | | | 2 | | | | | | |
| KP5 We will deliver high customer service and standards | 7 | 8 | 21 | 27 | 41 | 13 | 252 | 1 | 7 | | | 28 |
| KP7 We will recognise our customers' rights as owners | | | 1 | | | | | | 1 | | | |
| KP8 We will comply with our legal and industry obligations | | 15 | 84 | 4 | 19 | 23 | 15 | 3 | 3 | | 1 | 22 |
| D1 Advertising | | | 5 | | | 9 | | | | | 1 | |

| | <i>external</i> | <i>incorrect process and procedure</i> | <i>process and procedure not followed</i> | <i>process failure</i> | <i>system error</i> | <i>manual error</i> | <i>staff error</i> | <i>staffing resources issue</i> | <i>insufficient training</i> | <i>staff misconduct</i> | <i>mail-house error</i> | <i>other</i> |
|--|-----------------|--|---|------------------------|---------------------|---------------------|--------------------|---------------------------------|------------------------------|-------------------------|-------------------------|--------------|
| D2 Information about our products | | | 3 | | 3 | 6 | | | 2 | | | 9 |
| D3 Information on interest rates, fees and charges | | 3 | 4 | | 5 | 7 | | 1 | 1 | | 2 | 4 |
| D5 Reviewing fees and charges | | | | | | 3 | | | | | | 2 |
| D6 Responsible lending practices | | 1 | 8 | | 1 | 11 | | | | | | |
| D9 Joint accounts | | | | | | 2 | | | | | | |
| D11 Safeguards for co-borrowers | | 1 | 1 | | | | | | | | | |
| D12 Safeguard for loan guarantors | | | 1 | | | | | | | | | |
| D13 Third party products | | | | | | 1 | | | | | | 1 |
| D15 Timely, clear and effective communication | | | | | | 1 | | | | | | 1 |
| D16 Account statements and balances | | | 2 | | 3 | 2 | | | | | | 2 |
| D17 Notifying changes to your account | | | 2 | | | | | | | | | 2 |
| D18 Provision of statements and notices electronically | | | | | | 2 | | | | | | |
| D19 Copies of documents, statements and other information | | | 2 | | 2 | | | | | | | |
| D20 Direct debit arrangements | | | 2 | | | 1 | 2 | | | | | 4 |
| D21 Seeking a chargeback on your behalf | | | 3 | | | | | | | | | 4 |

| | <i>external</i> | <i>incorrect process and procedure</i> | <i>process and procedure not followed</i> | <i>process failure</i> | <i>system error</i> | <i>manual error</i> | <i>staff error</i> | <i>staffing resources issue</i> | <i>insufficient training</i> | <i>staff misconduct</i> | <i>mail-house error</i> | <i>other</i> |
|--|-----------------|--|---|------------------------|---------------------|---------------------|--------------------|---------------------------------|------------------------------|-------------------------|-------------------------|--------------|
| D23 Information privacy and security | 2 | 5 | 96 | 5 | 10 | 35 | 26 | | 2 | | 3 | 8 |
| D26 Debt collection and legal action | | 1 | | | | | | | | | | |
| D27 Prompt, fair resolution of complaints | | 1 | | | | | | | | 1 | | |
| D28 Our complaints handling process | | | | | | 1 | | | | | | |
| E2 Training our staff | | | 1 | | | | | | 1 | | | |
| Grand Total | 9 | 37 | 245 | 36 | 88 | 128 | 298 | 5 | 20 | 5 | 7 | 98 |

Table 9: Impact of self-reported breaches by Code section in 2017-18

Note: numbers are indicative as not all institutions provided conclusive information for each category.

| | <i>Number of customer(s) impacted</i> | <i>Financial impact</i> |
|---|---------------------------------------|-------------------------|
| KP1 We will be fair and ethical in our dealings with you | 72 | \$109,186 |
| KP2 We will focus on our customers | 76 | \$120 |
| KP3 We will give you clear information about our products and services | 46 | \$6,100 |
| KP4 We will be responsible lenders | 5 | \$0 |
| KP5 We will deliver high customer service and standards | 237 | \$34,285 |
| KP7 We will recognise our customers' rights as owners | 2 | \$1,500 |
| KP8 We will comply with our legal and industry obligations | 42,247 | \$54,021 |
| D1 Advertising | 55 | \$0 |
| D2 Information about our products | 10,174 | \$0 |
| D3 Information on interest rates, fees and charges | 9,598 | \$95,282 |
| D5 Reviewing fees and charges | 1,010 | \$113 |
| D6 Responsible lending practices | 107 | \$0 |
| D9 Joint accounts | 6 | \$1,000 |
| D11 Safeguards for co-borrowers | 4 | \$5,763 |
| D12 Safeguard for loan guarantors | 0 | \$0 |
| D13 Third party products | 19 | \$9,500 |
| D15 Timely, clear and effective communication | 1 | \$0 |
| D16 Account statements and balances | 18 | \$121 |
| D17 Notifying changes to your account | 4 | \$0 |
| D18 Provision of statements and notices electronically | 0 | \$0 |
| D19 Copies of documents, statements and other information | 27 | \$0 |
| D20 Direct debit arrangements | 9 | \$1,067 |
| D21 Seeking a chargeback on your behalf | 9 | \$603 |
| D23 Information privacy and security | 4,167 | \$204,500 |
| D26 Debt collection and legal action | 1 | \$105 |
| D27 Prompt, fair resolution of complaints | 131 | \$40,388 |
| D28 Our complaints handling process | 1 | \$0 |
| E2 Training our staff | 6 | \$0 |
| Grand Total | 68,032 | \$563,655 |

Appendix I: Examples of self-reported Code breaches

KP3 We will give you clear information about our products and services

| <i>Description</i> | <i>Remedial action</i> | <i>Root cause</i> | <i>Impact</i> |
|--|---|-----------------------|------------------------|
| Advertising campaign was accidentally reactivated after campaign had ended. | Third party introduced system changes to prevent recurrence of error. | Third party failure | 1 breach |
| Inadequate disclaimer attached to interest rate on website. | Website was updated with clearer information. | Manual error | 1 breach |
| Customer charged conversion rates at both ends due to not using the product correctly. | Third party training. | Insufficient training | 1 breach 1 customer |

KP5 We will deliver high customer service and standards

| <i>Description</i> | <i>Remedial action</i> | <i>Root cause</i> | <i>Impact</i> |
|--|---------------------------------|------------------------------------|-----------------------------------|
| Payment was processed incorrectly in a foreign exchange payment. | Apology and full reimbursement. | Process and procedure not followed | 1 breach \$1,139 1 customer |
| Processed two external payments instead of one. | Payment returned. | Process and procedure not followed | 1 breach \$9,000 1 customer |
| Delay in processing progress payments led to late fee. | Late payment fee reimbursed. | Process and procedure not followed | 1 breach \$4,519 1 customer |

KP8 We will comply with our legal and industry obligations

| <i>Description</i> | <i>Remedial action</i> | <i>Root cause</i> | <i>Impact</i> |
|---|--|---|--|
| <p>Systemic flaws in the customer identification process for the opening of non-individual accounts.</p> <p>Internal Audit / Detective Controls</p> | <p>Extensive AML/CTF remediation program. Development of new business account opening procedure.</p> | <p>Process and procedure not followed</p> | <p>7 breaches \$8,145</p> |
| <p>A Confirmation of Transaction (COT) had not been issued to a customer when Internet Banking (IB) was being established over the phone in the Contact Centre.</p> <p>Identified by second line monitoring (Compliance).</p> <p>Responsibility for establishing IB for customer requests via mail/direct channel was transferred from Operations Support to the Contact Centre. The Process was reviewed and approved by the stakeholders, however it did not clearly include a step or responsibility for the COT to be issued.</p> | <p>Issue was immediately corrected. The Contact Centre began issuing the necessary COTs (via Operations Support).</p> <p>A COT was issued to 61 customers who had registered for Internet Banking but were yet to access/perform a transaction using IB.</p> | <p>Process and procedure not followed</p> | <p>1 breach</p> <p>There have been 594 instances where a COT has not been issued, of which 533 have accessed IB and completed a transaction.</p> |
| <p>A customer called and (after a long attempt at identification) asked the consultant to speak to her son instead. The customer's son asked for a passcode to be reset, which occurred. The passcode was provided to the son. It appeared that the son subsequently transferred \$700 into his own account.</p> | <p>Consultant was dismissed summarily due to the severity of this breach.</p> | <p>Process and procedure not followed</p> | <p>1 breach \$700 2 customers</p> |

D1 Advertising

| <i>Description</i> | <i>Remedial action</i> | <i>Root cause</i> | <i>Impact</i> |
|---|--|------------------------------------|------------------------|
| Incorrect eligibility for interest rate for new car loan advertised. | Interest rate honoured and disclosure on website corrected. | Process and procedure not followed | 1 customer 1 breach |
| Home Loan product pages went live on a website before Compliance had reviewed and approved the content. | Compliance reviewed the Home Loan product page on the website. Process for approvals of product launches/changes was reviewed and agreed. | Process and procedure not followed | 1 breach |
| A website link led to an out-of-date interest rate flyer. Discovered internally. | Interest rates was corrected and process examined. | Manual error | 2 breaches |

D2 Information about our products

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|--|--|-----------------------|--------------------------|
| Customer complaints regarding the sale of an interest saver loan prompted a review of it. It appeared the product had been sold with misinformation. | Lending staff were tested on their understanding of the product and two were identified as having insufficient knowledge of it, leading to a potential miscommunication to customers. Staff involved in the incident received feedback and further training and coaching. The impact of staff actions was assessed in line with performance management frameworks and actioned accordingly. | Insufficient training | 1 breach 55 customers |
| Some customer credit contracts omitted or contained incorrect disclosures regarding broker | Customers were notified and disclosure provided. | | 2 breaches |

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|---|--|------------------------------------|---|
| commissions. Lending staff had failed to flag applications as introduced by a broker, leading to the contracts being generated with incorrect or no disclosures. Identified in contract review. | Procedure reviewed and deemed adequate. Staff retraining completed. | | 5 customers No financial impact on customers |
| Term deposit maturity rates incorrectly stated in product information. Noticed by employee. | The advertised rate was honoured for affected customers. | Process and procedure not followed | 1 breach 6 customers No financial impact on customers |

D3 Information on interest rates, fees and charges

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|--|--|---|--|
| Failure to provide a complete statement of all fees and charges that are, or may become, payable under a credit card contract and the amount of any such fee and charge. Identified in legal review. | Reported matter to ASIC, contacted affected customers and reimbursed all fees not correctly disclosed. | Manual error | 5000 customers \$10,000 1 breach |
| A debit fee charge to customers was different to the fee listed in a product disclosure statement that dated back to February 2016. The breach was identified via a customer complaint and incident reporting. | Fee was refunded on all relevant transactions by affected customers. Affected customers informed and offered apology. Remedial actions taken. Breach was assessed as significant due to its duration and the number of customers affected. | Incorrect process and procedure Inadequate procedure for checking fee charged by third party | 1 breach 3390 customers \$84,000 |
| Dishonour fee was reduced in a Product Disclosure Statement (PDS) update but some | Fee refunded to customers. Staff counselled on correct | Manual error | 7 breaches 7 customers |

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|--|--|-------------------|---------------|
| customers were charged the old fee. A Member Service supervisor discovered error by a staff member. Staff not acting on PDS change communication. | procedures when a fee is changed in a PDS. | | \$35 |

D6 Responsible lending practices

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|---|---|------------------------------------|---|
| Failure to make reasonable enquiry and verification of customers' ability to service loans. | Coaching for relevant lender and increased supervision. | Process and procedure not followed | 30 breaches 28 customers |
| Outdated loan application and/or Credit Reference Agency of Australia not updated. | Staff training. | Process and procedure not followed | 6 breaches |
| A customer query about a credit card limit listed on a statement led to the discovery that credit card limits were incorrectly reverting to original limit when activated online. | Cards activated online were reviewed and Line 1 control was implemented to monitor the issue. | System error | 1 breach No financial impact on customer |

D9 Joint accounts

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|---|---|-------------------|--------------------------------------|
| Transactions were allowed to be processed on an account without authorisation from the correct number of signatories. | Apology to affected customers. Staff involved were coached on the need to take great care when processing transactions. | Manual error | 4 breaches 6 customers \$1,000 |

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|---|--|------------------------------------|--|
| Since the launch of a new product, joint accounts have been opened through online banking without consent from both account holders. The new product did not utilise prior processes which required manual consent from both account holders. | No longer able to open a joint account through online banking. | Manual error | 1 breach Unable to identify number of customers |
| It appears identification documentation was not received for a home loan. | Controls have been put in place to prevent this. | Process and procedure not followed | 1 breach 2 customers |

D15 Timely, clear and effective communications

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|--|---|-------------------|---------------|
| An ASIC query revealed that product terms and conditions were unclear on chargeback rights. The standard wording was overwritten. | Reviewed claims for past seven years. Wording of Terms & Conditions updated. ASIC advised | Manual error | 1 breach |

D19 Copies of documents, statements and other information

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|--|--|------------------------------------|----------------------------------|
| Customers did not receive renewal letters from a third party general insurance provider. Advised by third party. | Third party re-issued backdated policy with a free month's insurance. | System error | 7 breaches 7 customers \$0 |
| A quality assurance review found there was no evidence customers had been given a copy of the Financial Services Guide (and, on two occasions, a copy of the | Policy and process reviewed and discussed with lending staff to remind them of the requirements. | Process and procedure not followed | 14 breaches 13 customers |

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|--|------------------------|-------------------|---------------|
| Statement of Account for Consumer Credit Insurance). | | | |

D23 Information privacy and security

| <i>Description</i> | <i>Remedial Action</i> | <i>Root cause</i> | <i>Impact</i> |
|--|---|------------------------------------|------------------------------------|
| Marketing sent an email message to members advertising a cash back promotion. The distribution list included around 3000 customers who had not opted in to marketing emails. | Marketing staff were educated on which distribution lists to use when sending out information and on updating the checklist used prior to sending marketing emails. | Process and procedure not followed | 1 breach 3,000 customers |
| Employee deposited cheques into the wrong account, resulting in personal information being shared with the wrong customer. | Employee coaching. Breach assessed as non-reportable | Process and procedure not followed | 1 breach 2 customers |
| Customer's account details were compromised by a fraudster who took over their identity in order to withdraw funds from their account. The matter was reported to the police and is under investigation. | Financial impact was temporary as the customer was made whole upon the finalisation of the investigation. | process and procedure not followed | 1 breach \$99,500 1 customer |

Appendix J: Comparative data of self-reported IDR complaints

Table 10: Self-reported IDR complaints since 2012-13

| | Category | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | | 2016-17 | | 2017-18 | |
|---|--|---------|------|---------|------|---------|------|---------|------|---------|------|---------|------|
| | | Total | In % | Total | In % | Total | In % | Total | In % | Total | In % | Total | In % |
| | Number of self-reported IDR complaints which include Code breaches | 309 | 2% | 370 | 3% | 233 | 1% | 256 | 2% | 242 | 1% | 1,217 | 6% |
| | Total number of self-reported IDR complaints | 14,393 | | 12,409 | | 16,709 | | 14,100 | | 18,662 | | 21,615 | |
| Service / Products involved in complaints | Credit | 1,345 | 9% | 1,325 | 11% | 1,608 | 9% | 1,665 | 12% | 2,987 | 16% | 3,350 | 15% |
| | Deposit taking | 2,166 | 15% | 1,829 | 15% | 1,930 | 12% | 2,655 | 19% | 7,444 | 40% | 7,450 | 34% |
| | Investments | 29 | <1% | 68 | <1% | 230 | 1% | 76 | 1% | 1,950 | 10% | 133 | 1% |
| | Payment systems | 6,334 | 44% | 4,075 | 33% | 3,746 | 22% | 3,789 | 27% | 3,508 | 19% | 7,174 | 33% |
| | Pre-paid cards ²⁰ | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 188 | 1% |
| | General insurance | 132 | 1% | 180 | 1% | 263 | 2% | 175 | 1% | 349 | 2% | 173 | 1% |
| | Ad-on general insurance products ²¹ | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 22 | <1% |
| | Life insurance | 13 | <1% | 5 | <1% | 0 | 0% | 3 | <1% | 49 | 0% | 15 | <1% |
| | Traditional trustee services | 0 | 0% | 4 | <1% | 6 | <1% | 11 | <1% | 1,169 | 6% | 13 | <1% |
| | Other ²² | 4,374 | 30% | 4,923 | 40% | 8,926 | 53% | 5,726 | 41% | 1,206 | 6% | 3,097 | 14% |
| | Issues involved in customer | Advice | 84 | 1% | 100 | 1% | 413 | 2% | 705 | 5% | 857 | 5% | 723 |
| Charges | | 1,779 | 12% | 2,026 | 16% | 4,792 | 29% | 2,829 | 20% | 2,131 | 11% | 2,256 | 10% |
| Disclosure | | 211 | 1% | 211 | 2% | 279 | 2% | 334 | 2% | 1,810 | 10% | 908 | 4% |
| Financial difficulty/responsible lending | | 93 | 1% | 157 | 1% | 174 | 1% | 117 | 1% | 546 | 3% | 213 | 1% |

²⁰ New category in 2017-18.

²¹ New category in 2017-18.

²² 'Other' represents the number of complaints that were not further specified by institutions.

| | Category | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | | 2016-17 | | 2017-18 | |
|-----------|---|---------|------|---------|------|---------|------|---------|------|---------|------|---------|------|
| | | Total | In % | Total | In % | Total | In % | Total | In % | Total | In % | Total | In % |
| | Decision by institution | 239 | 2% | 383 | 3% | 565 | 3% | 1,005 | 7% | 3,887 | 21% | 2,390 | 11% |
| | Instructions | 517 | 4% | 903 | 7% | 624 | 4% | 1,093 | 8% | 1,156 | 6% | 2,031 | 9% |
| | Privacy | 140 | 1% | 121 | 1% | 103 | 1% | 118 | 1% | 223 | 1% | 305 | 1% |
| | Service | 4,752 | 33% | 4,822 | 39% | 3,083 | 18% | 4,318 | 31% | 4,393 | 24% | 6,967 | 32% |
| | Transactions (incl. ATM issues) | 3,859 | 27% | 2,291 | 18% | 3,104 | 19% | 2,201 | 16% | 2,180 | 12% | 3,259 | 15% |
| | Other | 2,719 | 19% | 1,395 | 11% | 3,572 | 22% | 1,380 | 10% | 1,479 | 8% | 2,563 | 12% |
| Outcome | In favour of institution | 1,181 | 8% | 1,335 | 11% | 822 | 5% | 1,013 | 7% | 2,493 | 13% | 1,971 | 9% |
| | In favour of customer | 3,935 | 27% | 4,371 | 35% | 6,022 | 36% | 4,968 | 35% | 4,806 | 26% | 8,011 | 37% |
| | Mutual agreement | 6,812 | 47% | 5,941 | 48% | 3,228 | 19% | 3,117 | 22% | 6,213 | 33% | 5,510 | 25% |
| | Referred to External Dispute Resolution | 206 | 1% | 92 | 1% | 177 | 1% | 258 | 2% | 247 | 1% | 188 | 1% |
| | Withdrawn | 322 | 2% | 199 | 2% | 119 | 1% | 123 | 1% | 376 | 2% | 641 | 3% |
| | Customer taken legal action | 1 | <1% | 1 | <1% | 8 | <1% | 3 | <1% | 4 | 0% | 4 | <1% |
| | General feedback | n/a | n/a | n/a | n/a | 5,675 | 34% | 3,704 | 26% | 3,828 | 21% | 4,629 | 21% |
| | Unresolved as at 30 June | 1,647 | 11% | 45 | <1% | 50 | <1% | 80 | 1% | 226 | 1% | 173 | 1% |
| | Other | 289 | 2% | 425 | 3% | 608 | 4% | 834 | 6% | 469 | 3% | 488 | 2% |
| Timeframe | Resolved within 21 days | 12,637 | 88% | 10,768 | 87% | 15,606 | 93% | 13,078 | 93% | 16,725 | 90% | 19,009 | 88% |
| | Resolved within 45 days | 932 | 6% | 920 | 7% | 797 | 5% | 571 | 4% | 1,149 | 6% | 1,797 | 8% |
| | Resolved beyond 45 days | 135 | 1% | 317 | 3% | 256 | 2% | 185 | 1% | 501 | 3% | 369 | 2% |
| | Unresolved as at 30 June | 337 | 2% | 45 | 0% | 50 | 0% | 80 | 1% | 155 | 1% | 171 | 1% |
| | Other | 352 | 2% | 359 | 3% | 0 | 0% | 186 | 1% | 132 | 1% | 269 | 1% |

Chart 3: Percentage of self-reported IDR complaints by service/product since 2012-13

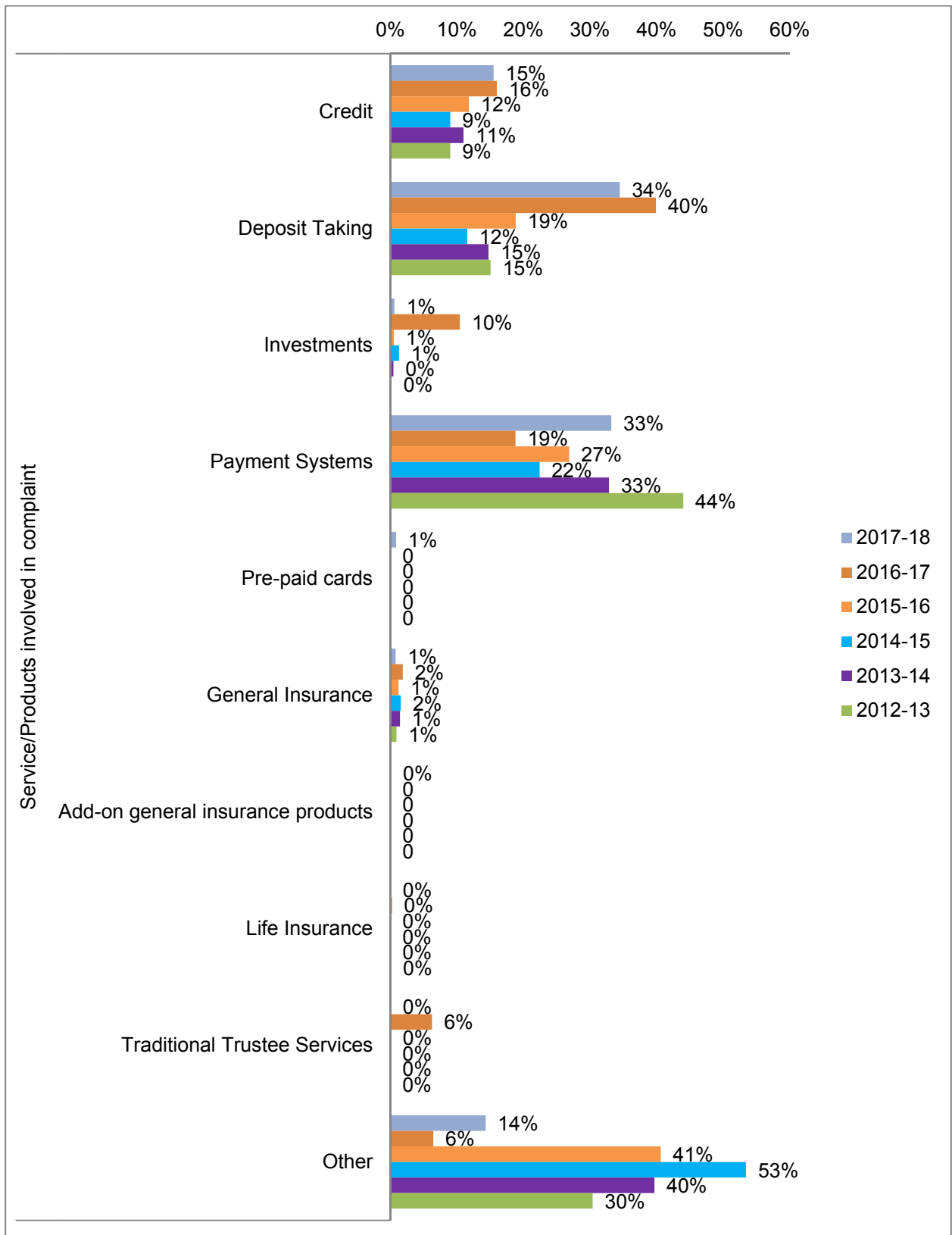


Table 11: Definitions for service/product

| | |
|-------------------------------|---|
| <p>Credit</p> | <p>Business finance (Business credit card, Business loans, Commercial bills, Hire purchase/lease, Letter of credit, Line of credit/overdraft, Non-FSP debt)</p> <p>Consumer credit (Construction loans, Credit cards, Equity release, Hire purchase/lease, Home loans, Interest-free finance, Investment property loans, Line of credit/overdraft, Non-FSP debt, Personal loans, Short-term finance)</p> <p>Guarantees (Bank guarantees, Business guarantees, Consumer guarantees)</p> <p>Margin loans</p> |
| <p>Deposit taking</p> | <p>Current accounts (Business transaction accounts, Foreign currency accounts, Mortgage offset accounts, Passbook accounts, Personal transaction accounts)</p> <p>Safe custody</p> <p>Savings accounts (Bank bills, Cash management accounts, First home buyer accounts, Online accounts, Term deposits)</p> |
| <p>Investments</p> | <p>Derivatives/hedging (Contracts for difference, Foreign exchange, Forwards, Futures, Options, Swaps)</p> <p>Managed investments (Australian equity funds, Cash management accounts, Charitable/educational schemes, Film schemes, Horse schemes, International equity funds, Investor direct portfolio services, Managed discretionary accounts, Managed strata title schemes, Mixed asset funds, Mortgage schemes, Primary production schemes, Property funds, Timeshare schemes, Trustee common funds)</p> <p>Real property</p> <p>Securities (Bills of exchange, Bonds, Debentures, Exchange traded funds, Promissory notes, Shares, Warrants)</p> <p>Superannuation (Account-based pensions, Approved deposit funds, Corporate funds, Industry funds, Pooled trusts, Retail funds, Retirement savings accounts, Self-managed funds)</p> |
| <p>Payment systems</p> | <p>Direct transfer (ATM, Bank drafts, Cheques, Counter transactions, Direct debits, EFTPOS, Electronic banking, Foreign currency transfers, Merchant facilities, Telegraph transfers)</p> <p>Non-cash</p> |

| | |
|---|---|
| | (Loyalty programs, Non-cash systems, Stored value cards, Travellers' cheques) |
| Pre-paid cards²³ | Gift cards, prepaid debit or credit cards, foreign currency travel cards |
| General insurance | <p>Domestic insurance (Consumer credit insurance, Home building, Home contents, Motor vehicle - comprehensive/third party fire and theft/third party theft/uninsured third party, Personal and domestic property - caravan/domestic pet/horse/mobile phone/moveables/pleasure craft/trailer/valuables, Residential strata title, Sickness and accident insurance, Ticket insurance, Travel)</p> <p>Extended warranty (Brown goods, Motor vehicles, White goods)</p> <p>Professional indemnity insurance (Medical indemnity, Other professional indemnity)</p> <p>Small business/farm insurance (Commercial property, Commercial vehicles, Computer and electronic breakdown, Contractors all risk, Fire or accidental damage, Glass, Industrial special risk, Land transit, Livestock, Loss of profits/business interruption, Machinery breakdowns, Money, Public liability, Theft)</p> |
| Add-on general insurance products²⁴ | Consumer credit insurance - CCI, hybrid CCI products, guaranteed asset protection insurance - GAP, loan termination insurance, extended warranties insurance, mechanical breakdown insurance, tyre and rim insurance |
| Life insurance | <p>Income stream risk (Consumer credit insurance, Income protection)</p> <p>Non-income stream risk (Annuities, Endowments, Funeral plans, Scholarship funds, Term life, Total and permanent disability, Trauma, Whole of life)</p> |
| Traditional trustee services | <p>Estate management</p> <p>Estate planning (Enduring powers of attorney, Wills)</p> <p>Trusts (Beneficiary, Specific purpose)</p> |
| Other | Number of complaints that were noted by the institution, but not further identified regarding the service/product involved |

²³ New category in 2017-18.

²⁴ New category in 2017-18.

Chart 4: Percentage of self-reported IDR complaints by issue since 2012-13

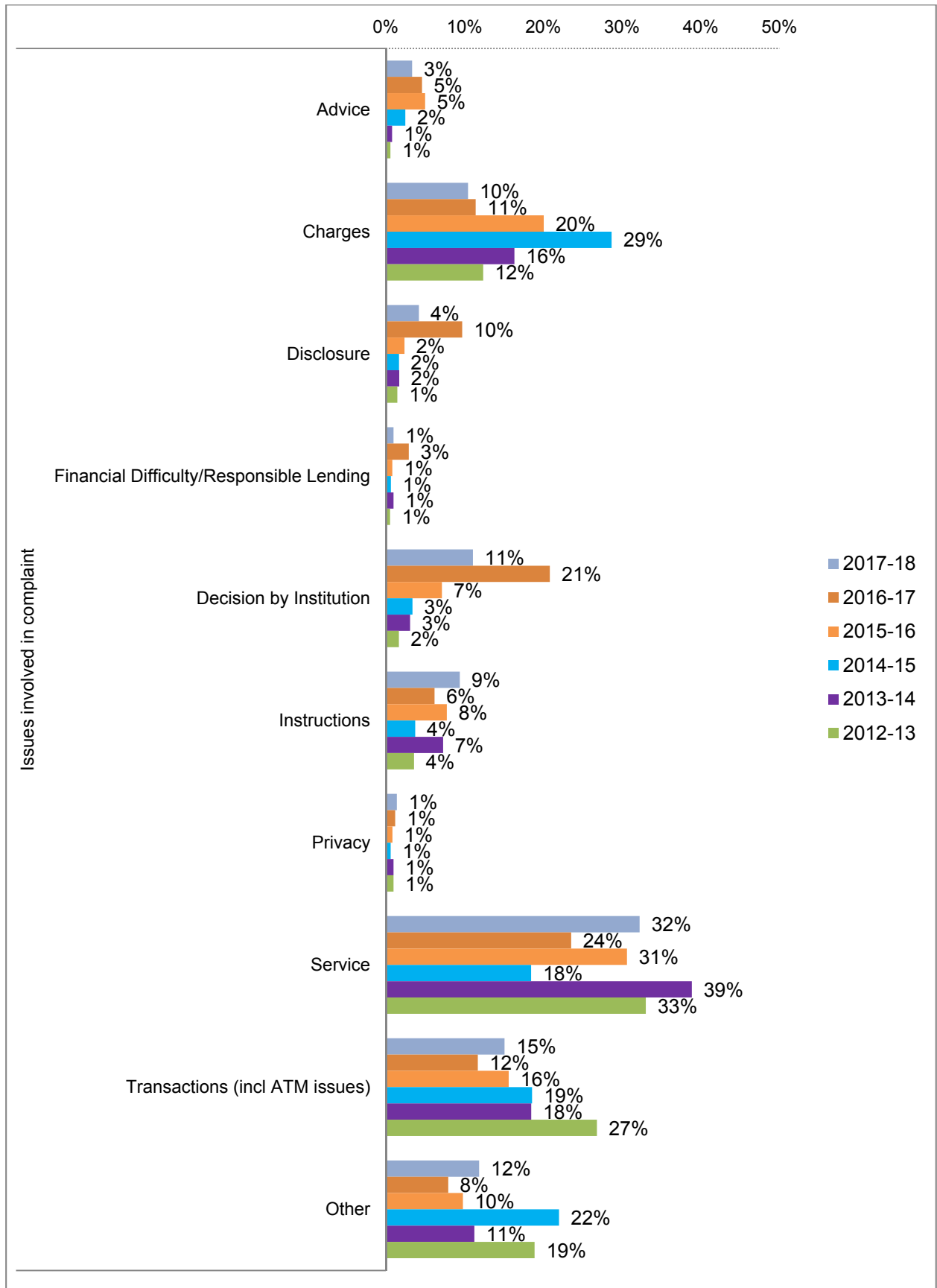
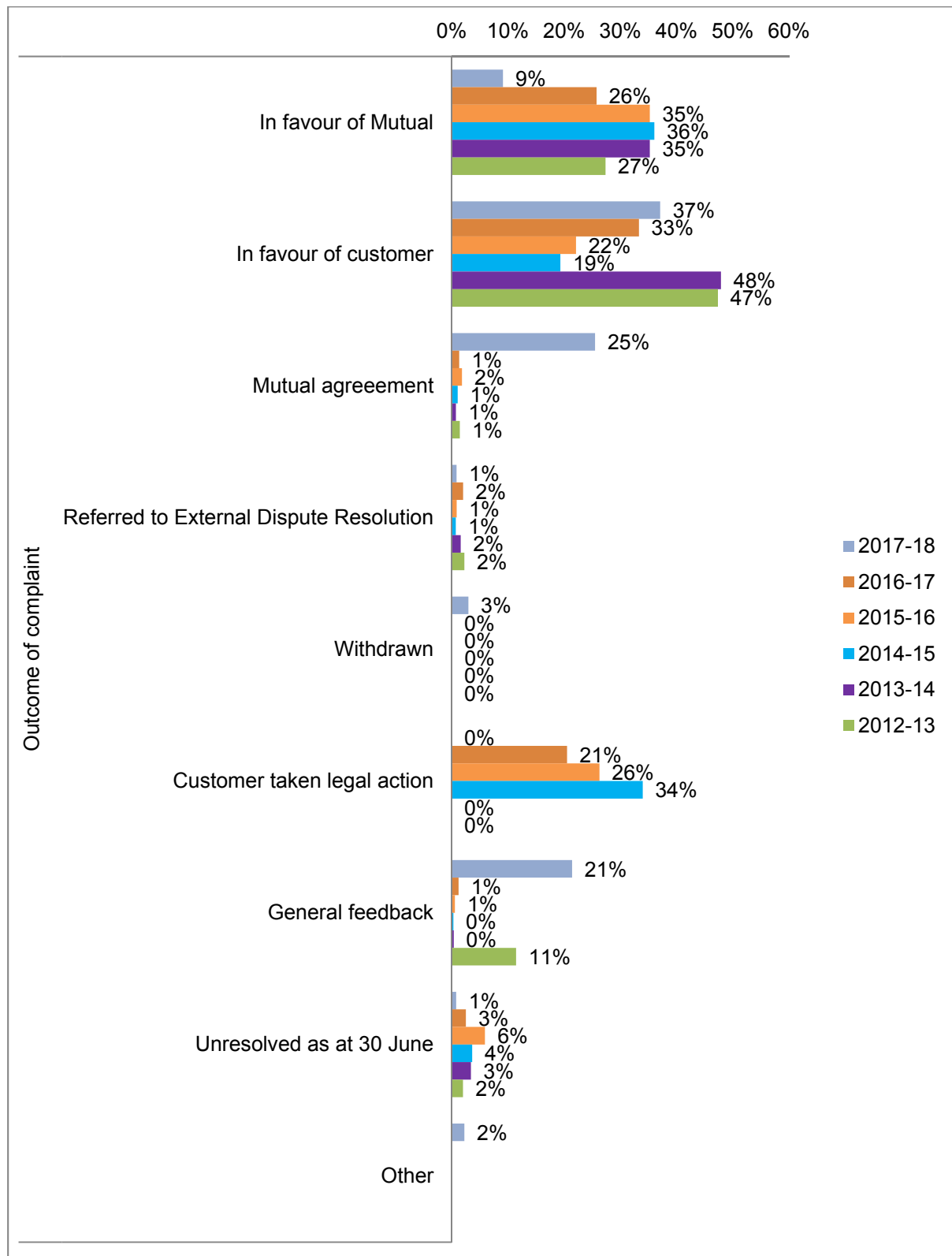


Table 12: Definitions for issue

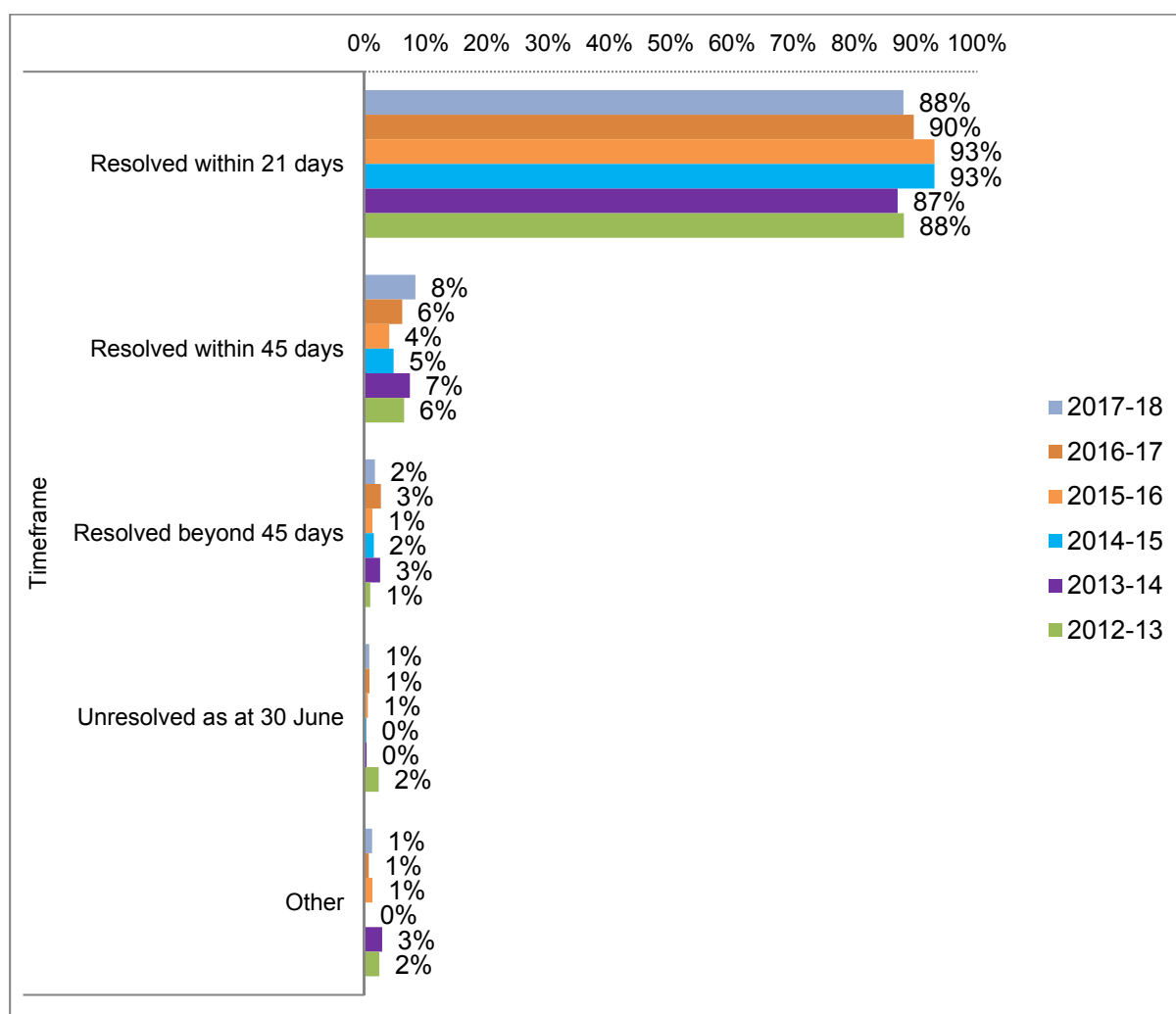
| | |
|---|--|
| Advice | Failure to act in client's best interest, Failure to prioritise client's interests, Failure to provide advice, Inappropriate advice, Incorrect advice |
| Charges | Break costs, Deductible or excess, Incorrect commissions, Incorrect fees/costs, Incorrect interest added, Incorrect premiums, No claim bonus |
| Disclosure | Break costs, Deductible or excess, Incorrect commissions, Incorrect fees/costs, Incorrect interest added, Incorrect premiums, No claim bonus |
| Financial difficulty / Responsible lending | Decline of financial difficulty request, Default notice, Failure to respond to request for assistance, Request to suspend enforcement proceedings |
| Institution's decision | Cancellation of policy, Cancellation of refund, Claim amount, Commercial credit reporting, Denial of application, Denial of claim, Denial of claim – applicant non-disclosure, Denial of claim – driving under influence, Denial of claim – exclusion/condition, Denial of claim – fraudulent claim, Denial of claim – no policy or contract, Denial of claim – no proof of loss, Denial of variation request, Error in debt collection, Inappropriate debt collection action, Inappropriate margin call notice, Interpretation of policy terms and conditions, Liability disputed, Maladministration in lending, Maladministration in loan management, Product terms/features/service |
| Instructions | Delay, Failure to follow instructions/agreement, Incorrectly processed instructions |
| Privacy and confidentiality | Consumer credit reporting, Failure/ refusal to provide access, Other privacy breaches, Unauthorised information disclosed |
| Service | Delay in claim handling, Delay in complaint handling, Failure to provide special needs assistance, Inappropriate portfolio liquidation, Incorrect financial information provided, Loss of documents/personal property, Management of applicant details, Service quality, Technical problems |
| Transaction (including ATM issues) | Dishonoured transactions, Incorrect payment, Mistaken Internet payment, Unauthorised transactions |
| Other | General feedback provided by client, Improvement suggestion, Expression of opinion |

Chart 5: Percentage of self-reported IDR complaints by outcome since 2012-13



Note: Other' represents the number of complaints that were noted by the institution, but not further identified regarding the service/product involved.

Chart 6: Percentage of self-reported IDR complaints by resolution time since 2012-13



Note: 'Other' represents the number of complaints that were noted by the institution, but not further identified regarding the service/product involved.

Table 13: Number of institutions self-reporting IDR complaints since 2012-13

| Number of self-reported IDR complaints | Number of institutions | | | | | |
|--|------------------------|---------|---------|---------|---------|---------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
| Nil complaints | 9 | 10 | 10 | 8 | 8 | 7 |
| Between 1 to 10 complaints | 23 | 29 | 18 | 19 | 21 | 19 |
| Between 11 to 20 complaints | 13 | 14 | 8 | 9 | 4 | 4 |
| Between 21 to 50 complaints | 18 | 10 | 17 | 11 | 11 | 11 |
| Between 51 to 100 complaints | 8 | 6 | 6 | 9 | 7 | 7 |
| Between 101 to 1,000 complaints | 17 | 18 | 18 | 13 | 14 | 13 |
| Over 1,000 complaints | 3 | 2 | 3 | 4 | 3 | 3 |

Appendix K: Self-reported IDR complaints data by size of institution

Table 14: Self-reported IDR complaints categories by size institution in 2017-18

| | Category | Micro institution | Small institution | Medium institution | Large institution | Total |
|--|-----------------------------------|-------------------|-------------------|--------------------|-------------------|--------|
| | Grand Total | 357 | 374 | 1,055 | 19,829 | 21,615 |
| Service/Products involved in complaints | Credit | 26 | 54 | 169 | 3,101 | 3,350 |
| | Deposit taking | 37 | 135 | 303 | 6,975 | 7,450 |
| | Investments | 1 | 5 | 0 | 127 | 133 |
| | Payment systems | 277 | 73 | 518 | 6,306 | 7,174 |
| | Pre-paid cards | 2 | 0 | 8 | 178 | 188 |
| | General insurance | 2 | 1 | 3 | 167 | 173 |
| | Add-on general insurance products | 0 | 0 | 1 | 21 | 22 |
| | Life insurance | 0 | 0 | 7 | 8 | 15 |
| | Traditional trustee services | 0 | 1 | 0 | 12 | 13 |
| | Other ²⁵ | 12 | 105 | 46 | 2,934 | 3,097 |
| Issues involved in customer complaint | Advice | 10 | 8 | 5 | 700 | 723 |
| | Charges | 4 | 107 | 84 | 2,061 | 2,256 |
| | Disclosure | 4 | 13 | 54 | 837 | 908 |
| | Financial difficulty | 12 | 10 | 17 | 174 | 213 |
| | Decision by institution | 19 | 14 | 144 | 2,213 | 2,390 |
| | Instructions | 20 | 14 | 106 | 1,891 | 2,031 |
| | Privacy | 2 | 7 | 26 | 270 | 305 |
| | Service | 20 | 83 | 479 | 6,385 | 6,967 |
| | Transactions (incl. ATM issues) | 250 | 77 | 107 | 2,825 | 3,259 |
| | Other | 16 | 41 | 33 | 2,473 | 2,563 |
| Outcome of customer complaint | In favour of institution | 17 | 36 | 33 | 1,885 | 1,971 |
| | In favour of customer | 167 | 77 | 193 | 7,574 | 8,011 |
| | Mutual agreement | 76 | 170 | 263 | 5,001 | 5,510 |

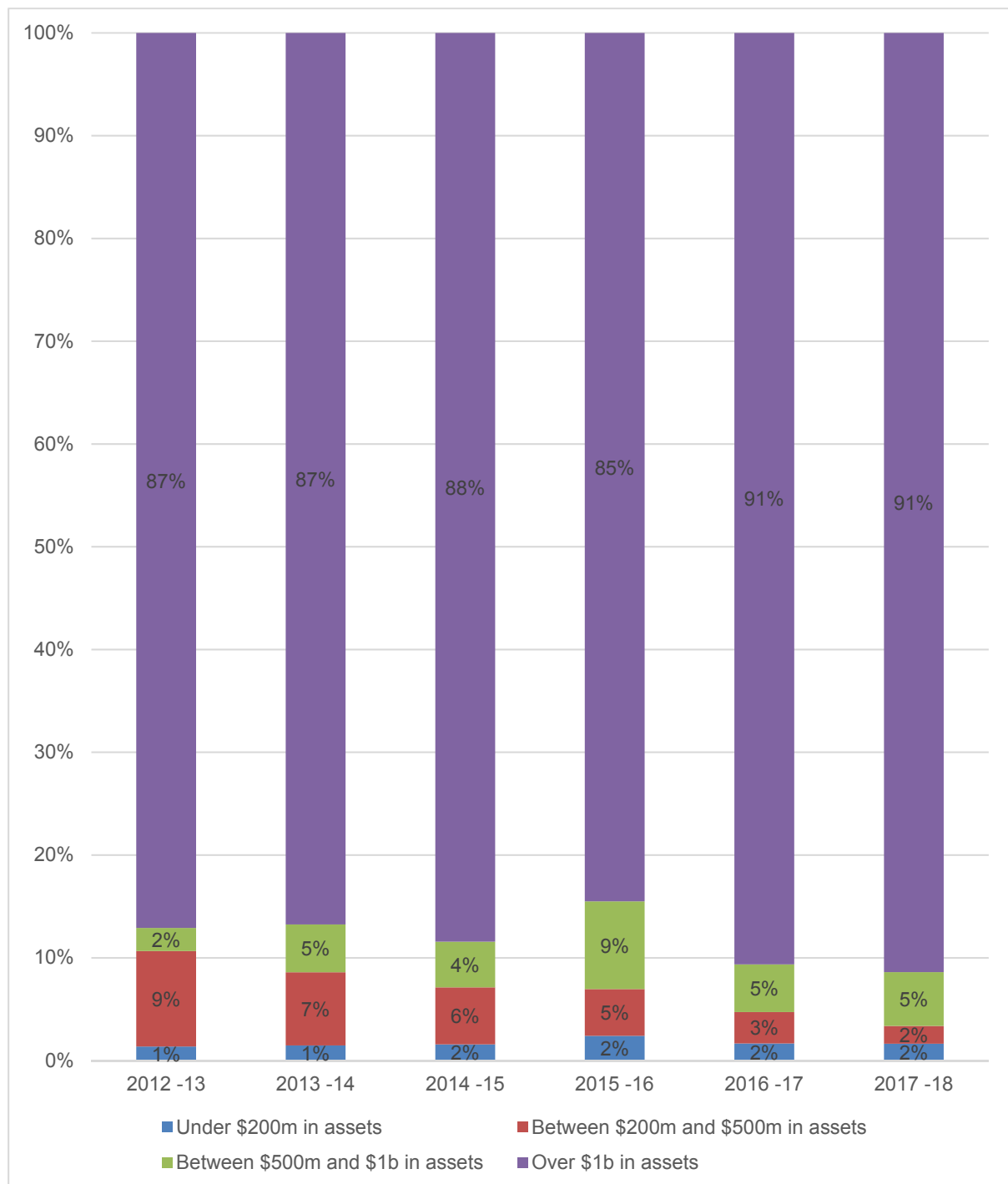
²⁵ 'Other' represents the number of complaints that were not further specified by institutions.

| | Category | Micro institution | Small institution | Medium institution | Large institution | Total |
|-----------------|---|-------------------|-------------------|--------------------|-------------------|--------|
| | Referred to External Dispute Resolution | 1 | 10 | 13 | 164 | 188 |
| | Withdrawn | 56 | 8 | 7 | 570 | 641 |
| | Customer taken legal action | 0 | 0 | 0 | 4 | 4 |
| | General feedback | 26 | 69 | 537 | 3,997 | 4,629 |
| | Outstanding | 13 | 4 | 1 | 155 | 173 |
| | Other | 1 | 0 | 8 | 479 | 488 |
| Resolved | | | | | | |
| | Resolved within 21 days | 261 | 331 | 1,008 | 17,409 | 19,009 |
| | Resolved within 45 days | 40 | 13 | 29 | 1,715 | 1,797 |
| | Resolved beyond 45 days | 42 | 26 | 17 | 284 | 369 |
| | Unresolved as at 30 th June | 13 | 4 | 0 | 154 | 171 |
| | Other | 1 | 0 | 1 | 267 | 269 |

Table 15: Number of self-reported IDR complaints by size of institution in 2017-18

| Number of self-reported IDR complaints | Micro institution | Small institution | Medium institution | Large institution | Total |
|--|-------------------|-------------------|--------------------|-------------------|-----------|
| Nil | 4 | 0 | 1 | 2 | 7 |
| 1 to 10 | 13 | 5 | 1 | 0 | 19 |
| 11 to 20 | 2 | 1 | 1 | 0 | 4 |
| 21 to 50 | 1 | 3 | 4 | 3 | 11 |
| 51 to 100 | 0 | 1 | 1 | 5 | 7 |
| 100 to 1,000 | 1 | 2 | 2 | 8 | 13 |
| Over 1,000 | 0 | 0 | 0 | 3 | 3 |
| <i>Mean number of complaints 2017-18</i> | 17.0 | 31.2 | 105.5 | 944.2 | 337.7 |
| <i>Mean number of complaints 2016-17</i> | 12.9 | 29.5 | 101.9 | 975.7 | 278.5 |
| <i>Mean number of complaints 2015-16</i> | 12.5 | 46.7 | 121.0 | 700.9 | 193.2 |

Chart 7: Self-reported IDR complaints by size of institution since 2012-13



Appendix L: Definitions

Categorisation of Code subscribers

Since 2015-16, the size of institutions is categorised based on \$ amount in assets (prior to that, size of institutions was measured by number of staff):

| Size of institution | Prior to 2015-16 measured by staff numbers | Since 2015-16 measured by \$ amount in assets |
|---------------------|---|--|
| Large | over 100 full time equivalent staff | over \$1b in assets |
| Medium | 31-100 full time equivalent staff | \$500m to \$1b in assets |
| Small | up to 30 full time equivalent staff | \$200m to \$500m in assets |
| Micro | included in above | up to \$200m in assets |

Categorisation of significant Code breaches

Prior to 2017-18 Code subscribers were requested to self-report significant Code breaches with reference to:

- similar breaches of this nature that have occurred in the organisation
- the number of customers affected
- the adequacy of arrangements to ensure compliance with this Code
- the extent of any customer detriment
- the rectification and other costs incurred, and
- the duration over which the breach occurred.

Since 2017-18 Code subscribers were not requested to distinguish between Code breaches and significant Code breaches, but were required to provide detailed information for all self-reported breaches.