



**Mutual Banking Code of Practice  
Code Compliance Committee**

**ANNUAL REPORT  
2012 - 2013**

## CONTENTS

2012-13: Year at a Glance.....	3
2013-14 Future Outlook.....	5
Governance: About the Code .....	6
About the Code Compliance Committee .....	7
About this Annual Report .....	8
Customer Owned Banking Code of Practice .....	8
Chairperson’s Report.....	10
Executive Manager’s Report.....	11
The Committee Members .....	12
The Secretariat.....	13
The Committee’s operations .....	14
Code Monitoring Activities .....	15
Purpose of the Annual Compliance Statement.....	15
Verification Review 2011–2012 ACS.....	15
The 2013 Annual Compliance Statement Outcomes .....	16
Self reported Code compliance breach statistics.....	16
Internal Dispute Resolution Statistics .....	21
Investigating .....	25
Engaging .....	25
Appendix A: Code Subscribers as at 31 October 2013 .....	27
Appendix B: Definitions.....	29
Appendix C: Comparative table: self reported Code breach data 2011-2013 .....	30
Appendix D: Significant Code breaches reported by institutions in 2013 .....	31
Appendix E: Comparative table: IDR data 2012-2013.....	33
Appendix F: Additional tables: complaints and breach data 2011-13 .....	34

## 2012-13: YEAR AT A GLANCE

### Independent Code review

- An independent review of the Code concluded that the Code was working effectively and the Committee was viewed by stakeholders as a suitable oversight body.
- Recommended changes to the Code, including a new Committee Charter, will become effective from 1 January 2014.

### Compliance monitoring and breach reporting

- Demonstrable improvement in Code compliance capability has occurred over the four years of the Code's operations. The Committee thanks institutions for their co-operation and support during this time.
- The Committee was pleased to note that Annual compliance data was received from all institutions before the 30 September 2013 due date for the first time.

### The 2012-13 ACS data

- An increase in the total number of self reported Code breaches (152% increase to 917).
- An intensive Code breach monitoring program undertaken at one institution resulted in 350 breaches identified.
- Code breaches related primarily to code training, chargebacks and account access and account suitability obligations.
- Self reporting of significant breaches was successfully introduced in 2012-13.
- 16 significant breaches were identified. It was pleasing to note that remedial actions had progressed or were completed.

The increase in self reported breaches represents a further progression towards more comprehensive monitoring and reporting processes in subscriber institutions rather than a decline in overall Code compliance performance.

### Industry indicates to improve industry practice

In this context, the Committee is pleased to acknowledge initiatives introduced by institutions to improve Code awareness and compliance including enhanced monitoring and reporting processes and Code promotion and awareness programs to encourage staff to report actual and suspected breaches.

### Internal Dispute Resolution Data

- Institutions reported 14,393 customer complaints (38% increase) identified through internal dispute resolution processes. 74% of these complaints were resolved in favour of the customer or by mutual agreement.
- Major service areas affected included transactions, payment systems and deposit taking.
- 309 breaches of the Code were identified from the internal analysis of customer complaints.
- The Committee welcomes the improvements in complaints handling and recording and the increased IDR complaints largely reflects these improvements.<sup>1</sup>
- The Committee notes the lengthening of resolution times for internal disputes and encourages the sector to ensure its superior service rating is retained as a key market differentiator

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<sup>1</sup> Roy Morgan, Mutual Banking Sector: "Love can't buy you money", 14 October 2013, Finding 5241, <http://www.roymorgan.com/~media/Files/Findings%20PDF/2013/October/5241-MutualSectorSatisfactionDollarShare.pdf>

## Investigations and own motion inquiries

The Committee has received no complaints either from or on behalf of customers alleging breaches of the Code by institutions over its four years of operation. The Committee's complaints function appears to be not well known and understood by customers. The Committee and COBA will continue to inform and educate customers of the availability of consumer rights under the Code to lodge concerns with the Committee.

Follow up on the recommendations contained in the September 2012 own motion inquiry report on Code training indicated that Code subscribers continue to implement improved processes.

## Committee Activities and Stakeholder engagement

- During the reporting year, 72 subscriber institutions had at least one personal contact with the Secretariat as a result of:
  - their participation in the COBA Code compliance training program - face to face in four capital cities and a NSW regional centre, and later by webinar to an audience of 72 subscribers
  - the consultation onsite visit program - visits to eight subscriber institutions progressively over the year, and
  - the ACS verification process – targeted visits and teleconferences with 16 subscriber institutions based on their 2012 ACS responses.
- The Committee published four editions of its quarterly bulletin *Accomplish*.
- The Committee and Secretariat met on a regular basis with stakeholders, including COBA, the Financial Ombudsman (FOS), the Credit Ombudsman Service Limited (COSL), the Australian Securities and Investments Commission (ASIC) and consumer advocacy bodies such as Financial Counselling Australia (FCA).

## 2013-14 FUTURE OUTLOOK

The Committee is committed to further improving its liaison and collaboration with key stakeholders and industry customer satisfaction levels with the Mutuals sector and effectively assisting COBA with promoting compliance with the Code and showing its knowledge of good industry practice for 2013-14.

The Committee's proposed projects for 2013-14 are outlined below.

### Code Transition

The 2013-14 ACS process will continue to emphasise and support improvements to compliance monitoring and breach reporting and remediation.

The content of the ACS will be developed in consultation with institutions and the Committee will continue to consult with COBA and institutions on the development of guidelines and benchmarks for effective monitoring, reporting and management of Code breaches.

### Investigations and own motion inquiries

An own motion inquiry dealing with compliance with the revised Code's financial difficulty provisions is planned to commence in early 2014.

The Committee is conscious that in its four year existence it has yet to receive a complaint from a customer or their advocate alleging a breach of the Code. It may be the case that customers are satisfied with the complaints handling processes in institutions. Alternatively, customers and their advocates may not be aware of the Committee's investigative powers and functions. The Committee intends to research this issue in 2014 and undertake an awareness raising program with customer advocates.

### Stakeholder engagement

The Committee will utilise webinars as another effective communication mechanism with Code subscribers, particularly before issuing guidance and recommendations on industry practice.

The Committee will continue to share its experience of Code compliance through the release of reports and updates (including quarterly bulletins) on its website ([www.cccmutuals.org.au](http://www.cccmutuals.org.au)).

### Industry developments

The Committee will assess the impact and implications of emerging regulatory developments on institutions and their Code compliance frameworks, including the introduction of:

- more comprehensive '*positive credit reporting*' from March 2014;
- new Australian Privacy Principles from March 2014, and
- a new risk management standard being developed by APRA from January 2015.

## GOVERNANCE: ABOUT THE CODE

The Mutual Banking Code of Practice (the Code) is published by the Customer Owned Banking Association (COBA). It is a voluntary Code of Practice which sets standards of good industry practice for the 91 customer owned banking institutions that agree to follow the standards when dealing with persons who are, or who may become, an individual or small business customer of a customer owned banking institution, or a guarantor.

The principles and obligations set out in the Code apply to all customer owned banking services delivered to individuals and small business across Australia by Code subscribing institutions.

Customer owned banking institutions have also made a commitment to work continuously to improve the standards of practice and service in the customer owned banking industry; promote informed decision making about their services and act fairly and reasonably in delivering those services.

The Code therefore forms an important part of the broader national consumer protection framework and the financial services regulatory system.

A copy of the Code can be downloaded from the COBA website at <http://www.customerownedbanking.asn.au/consumers/mutual-banking-code-of-practice> .

A list of Code subscriber institutions numbers as at 31 October 2013 is located in Appendix A of this Report.

## About the Code Compliance Committee

The Code established the Code Compliance Committee as an independent compliance monitoring body under section 4 of the Constitution of the Mutual Banking Code Compliance Committee Association (the Constitution) and part E of the Code.

### The Committee's vision

The Committee's vision is to promote compliance with the Code and to assist Code subscribing institutions to meet and exceed the standards of good industry practice as envisaged by the Code.

### Principles

To achieve its vision, the Committee supports the principles and commitments made in the Code by promoting the Code's benefits and influencing positive and effective changes in industry behaviour.

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

- **independence** in its operations, governance and decision making;
- **accountability** in undertaking its functions for the benefit of the customer owned banking industry and its customers;
- **transparency** through open engagement with stakeholders;
- **fairness** in its deliberations and processes, and
- **accessibility** to its Code monitoring and investigation services.

### Key responsibilities and functions

The Committee's key responsibilities and functions as set out in the Constitution and the Code include:

- monitoring and reporting on compliance by institutions with the Code;
- investigating and determining complaints alleging that the Code has been breached;
- monitoring aspects of the Code referred to the Committee by COBA or other relevant stakeholders;
- conducting own motion inquiries into compliance with aspects of the Code;
- receiving compliance reports and monitoring and reporting on Code subscribers' adherence to minimum reporting standards, and
- providing advice to the Association Chair and COBA on a range of matters related to the Code and the Committee's operations.

## About this Annual Report

This Annual Report is published in accordance with section E18 of the Code and the responsibilities of the Code Compliance Committee (the Committee) as outlined in the Constitution of the Mutual Banking Code Compliance Committee Association (MBCCCA).

The Report sets out the Committee's key achievements during the reporting year 1 July 2012 to 30 June 2013 in monitoring and investigating compliance with the Code by those credit unions, mutual banks and mutual building societies that voluntarily subscribe to the Code.

The Report also outlines the Committee's work to engage with the customer owned banking sector to improve its standards of practice and service and how the Committee aims to build on that work in the future.

The launch on 1 July 2013 of a refreshed customer centric industry brand means that this Report uses the following naming corrections:

- Customer Owned Banking Association (COBA) (replacing Abacus);
- Customer owned banking institutions or institutions (replacing mutual), and
- Customer (replacing member).

## Customer Owned Banking Code of Practice

On 1 January 2014, the Code will be replaced by the Customer Owned Banking Code of Practice.

The 2014 Code is the result of an independent review of the Code in 2013 which concluded that the Code was working effectively and the Committee was seen by stakeholders as a suitable oversight body.

The review also concluded that the Code was well regarded by subscribing institutions and consumer representatives, and despite considerable regulatory developments over the four years, the Code's principles based approach '*had stood the test of time well*'.<sup>2</sup>

Although the review did not evaluate the Committee's operations, the reviewer observed:

*The Committee has not received any complaints but nevertheless has been active in obtaining and following up compliance reports from subscribers and undertaking 'own motion' investigations. In our view, Committee work has been carried out in a way that recognises that subscribers are often small organisations with limited resources and that they need to be assisted in their efforts to build compliance capability.*

*Subscribers were generally supportive of the work of the Compliance Manager and Code Compliance Committee, albeit there are isolated examples of Mutuals that are not Code subscribers because of the compliance impost.*<sup>3</sup>

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<sup>2</sup> Mutual Banking Code of Practice Independent Review, Recommended Revisions to Code, June 2013, page 4

<sup>3</sup> Mutual Banking Code of Practice Independent Review, Recommended Revisions to Code, June 2013, page 22

The independent reviewer issued a draft Report in May 2013 which contained 13 recommendations for amendments to the Code. The Committee provided a submission about these recommendations, a number of which were taken up in the final report issued in June 2013. This report made recommendations that the Code be updated in the following areas of responsibility:

- responsible lending;
- credit limit increase offers;
- reverse mortgage loans;
- stopping of direct debits;
- members with special needs, and
- governance arrangements.

The Reviewer accepted the Committee's submissions related to the cancellation of direct debit payments and clarification of the wording of key promises. The Committee's recommendations concerning a proposed broader ambit to the clauses dealing with responsible lending, referral to financial counsellors, third party consumer insurance and the publicising of the Code were not adopted.

A copy of the final Independent Review report can be downloaded from the COBA website at <http://www.customerownedbanking.asn.au/consumers/mutual-banking-code-of-practice/review-of-mutual-banking-code-of-practice> .

### Recommended governance changes

Another outcome of the Review has been the development of a Code Compliance Committee Charter to replace the current Constitution. The Committee has been actively engaged with COBA during the drafting of the Charter to ensure that the Committee remains independent and accountable and that its operations are transparent, accessible and fair.

The Committee has agreed to recommend that appointments to the Committee be shared amongst key stakeholder groups and that the Committee report to the COBA board. These roles were previously the responsibility of the Mutual Banking Code Compliance Committee Association (MBCCCA).

It is anticipated that the Committee Charter will enable a more workable and efficient structure for Committee operations and will overcome problems experienced this year with the appointment process for replacing Committee members

However, the Committee emphasises that its independence must be strongly safeguarded in the Charter.

The Committee understands that COBA does not currently intend to have the Code approved by ASIC. The Committee's view is that the charter of a Code monitoring body should be consistent with the principles contained in ASIC RG 183 *'Approval of financial services sector Codes of conduct'*. Financial transparency and transparency of appointments to the Code Compliance Committee should also be in accordance with good governance frameworks.

The Committee has been actively engaged with COBA during the drafting of the Charter to ensure that the independence of the Committee is transparent and ensured.

## CHAIRPERSON'S REPORT

It is a great pleasure to provide my first report as Chairperson of the Code Compliance Committee.

I was appointed to the role in April 2013, seven months after the retirement of Jeff Whalan, the inaugural Chairperson of the Committee. During this period, Patricia Langham and Professor Gail Pearson continued to work with the Secretariat, led by Dr June Smith, to ensure principally that the administration, monitoring and review of the Code of Practice proceeded without interruption.

While I have not previously been engaged with the financial sector, I have wide experience in the development of industry codes and the monitoring of compliance, most notably with charities and the international aid and development sector. So it is an honour to be now working with customer owned banking institutions to improve accountability and service standards and build on the excellent work of the Committee over the past four years.

Involvement in the Independent Review of the Code of Practice has been the major undertaking of the Committee during the past year, a project that has also involved staff at COBA, along with staff of customer owned banking institutions, to ensure that the Code responds to changes in the regulatory environment, industry practice and public expectations. Such consultation leads to heightened awareness of the Code, further developing the foundation work of the Committee and the industry.

It is a tribute to the soundness of the original work undertaken to draft the Code of Practice, that the forthcoming revisions apply mainly to regulatory changes that impact on the industry and advances over the past four years in communication using electronic tools such as internet and social media.

There will be a period of transition to the new Code in the forthcoming year. This will require Code subscribers to invest in training and development to ensure that they are abreast of changes in the Code, to be known as the Customer Owned Banking Code of Practice, including those which relate to advertising and promotional material, reverse mortgage loans, the provision of credit and financial difficulty.

Customer service and satisfaction is a key to the success of customer owned banking institutions. Yet, there has been an increase in the number of complaints received by Code subscribers over the past year from their members, which the Committee draws attention to. It hopes that Code subscribers focus towards levels of service in the forthcoming year as they transition to the revised Code.

It is important to remind Code subscribers that the Committee welcomes feedback on the application of the Code. It is through dialogue with the industry and the investigation of complaints that the Code Compliance Committee monitors compliance and works to ensure quality practice among subscribers.

In closing, I want to thank my fellow Committee members, Patricia Langham and Professor Gail Pearson, members of the Secretariat, particularly the Executive Manager Dr June Smith and Daniela Kirchlindé, and the staff of COBA, especially CEO Louise Petschler and Senior Policy Advisor, Micah Green, for their support during the first three months of my tenure.

**Sue-Anne Wallace**  
**Code Compliance Committee, Chairperson**

## EXECUTIVE MANAGER'S REPORT

The secretariat has had another busy and successful year assisting the Committee to further consolidate its code monitoring and compliance capabilities; engaging with all stakeholders to share our experience of code compliance matters and consulting with COBA and the Independent Reviewer on the Code's revision and the development of a new Committee Charter.

The Annual Compliance Statement program continues to be a pivotal tool for both Code subscriber institutions and the Committee to objectively assess Code compliance capabilities and areas where improved standards of practice may be warranted. The program has evolved significantly over the first four years of the Code's operations and I have been very pleased to observe in the last two years in particular, how code subscribers have engaged with the process and progressively developed demonstrably better monitoring and reporting processes. I would like to congratulate the institutions on the significant progress achieved.

The increase in reported code breach numbers referred to in the Year at a Glance and other sections of this Report is we believe a reflection of this improved monitoring and reporting capability and demonstrates a positive culture of reporting. The Committee and the secretariat will work closely in 2014 with those subscriber institutions that did not identify any breach activity in the reporting year, to further develop their code compliance capability as they transition to the revised Code's operations.

Similarly, the comprehensiveness of institutions' complaints handling statistics has improved in the second year of reporting of this data to the Committee. Although there are necessarily caveats as to the accuracy and comparability of data, we have noticed some deterioration in complaint resolution times reported to us over that two year period. We will continue to work with subscribers to further improve reporting capabilities over the forthcoming 12 months and monitor complaints handling performance during the transition phase to the revised Code.

We continued our active program of engagement with our institutions and with consumer advocates. The program encompasses a quarterly bulletin, webinars, on site visits and conference calls and is intended to meet the challenges of the number, size and geographical spread of the institutions. It is pleasing to report that over the 12 months the secretariat had personal contact with 80% of the 91 code subscribers.

It was also a busy year for Committee engagement with COBA, regulators and other stakeholders including customer advocates. As indicated in the Report there was significant liaison during the Code review process and further work will occur during the transition period to ensure the Committee's operations, processes and procedures are consistent with its new Charter.

The key features of the Committee's work for 2013-14 are outlined in the Future Outlook section of this Report. Clearly the priority is transitioning to the revised Code and the new Committee Charter. We have also planned an own motion inquiry into how effectively code subscriber institutions are complying with their revised code compliance obligations concerning financial difficulty.

I would like to thank the Committee members for their support and guidance during the year and Daniela Kirchlinde, the Code Compliance Manager, for her significant contribution to the work program.

I am looking forward to working with you all in 2014 to ensure that those institutions that adopt the revised Code meet the standards of good industry practice expected of a Mutual Bank and to promote the value of the Code with all stakeholders.

**Dr June Smith**  
**Executive Manager, Code Compliance & Monitoring**

## THE COMMITTEE MEMBERS

### Chairperson

**Sue-Anne Wallace** Term 18 April 2013 to 18 April 2016



Sue-Anne (BPharm, BA (Hons), PhD, Grad Cert Mgt, Adv Dip Arts, FAICD) has an extensive career in the not-for-profit sector, most recently in philanthropy and fundraising. These roles build upon her professional experience as an executive manager and art historian in Australia's key academic and cultural institutions. She has authored two books and many papers on art history and art markets and edited *The Australian Journal of Art*.

Over the past decade Sue-Anne has engaged with the development of industry codes and self-regulation nationally and internationally. She has been an independent member of the peak body for the Australian Council for International Development's (ACFID) Code of Conduct for Australia's international aid and development sector since 2004 and Chairperson since 2010.

Sue-Anne has wide experience as Chairman and Director of national and international peak bodies in addition to ministerial appointments to a number of federal and state bodies. She is currently inaugural Chair of Creating Australia and director of a number of arts related organisations.

**Jeff Whalan AO** Term 1 October 2009 to 30 September 2012  
(retired effective 30 September 2012)

Jeff Whalan is a consultant who works with CEOs, senior executives and organisations to help them improve their performance. Jeff has held numerous senior executive appointments in the Australian Public Service since 1990, including CEO of Centrelink and Medicare Australia and Deputy Secretary positions in the Prime Minister's Department, the Department of Defence and the Department of Family and Community Services. He was appointed as an Officer of the Order of Australia in 2008 for his work at Centrelink.

### Consumer Representative

**Professor Gail Pearson** Current term 1 October 2009 to 30 September 2014  
(re-appointed in October 2011)



Professor Gail Pearson [BA (Hons), LLB, PhD] is a leading academic in the fields of financial services, commercial and consumer laws. She is the author of Pearson, G., *Financial Services Law and Compliance in Australia*, Cambridge University Press 2009, Pearson, Fisher, Tolhurst and Peden, *Commercial Law: Commentary and Materials* (ed3) Lawbook 2010, and Pearson and Batten, *Understanding Australian Consumer Credit Law*, CCH 2010. She has published numerous articles in Australian and international journals.

Gail founded (with a colleague) the Australasian Consumer Law Roundtable, 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.

## Industry Representative

**Patricia Langham**

Current term 1 October 2009 to 30 September 2013  
Term extended to 31 December 2013  
(re-appointed in October 2010)



Patricia is one of the three Founding Committee members. Patricia holds a Diploma of Financial Advising and a Graduate Diploma in Financial Planning. Patricia has been a member of the Australasian Mutuals Institute (formerly AICUM, then ACUI) for more than 17 years and is the Secretary of its NSW/ACT Regional Council.

Following a career in the Australian Public Service, Patricia joined the customer owned banking community as a full-time employee in late 1996. She had previously worked in an honorary capacity and also served as a Director on the board of a small Credit Union. Patricia's career includes senior roles such as General Manager of Access Credit Union (formerly Labour Staff Credit Union) from August 1996 to March 2001 and General Manager of the TAFE and Community Credit Union from May 2002 to November 2008.

In December 2008, Patricia joined Teachers Mutual Bank Limited and currently holds the position of its Western Sydney Regional Manager. Patricia has been active in the customer owned banking industry participating on several COBA (formerly Abacus) and Cuscal working parties and travelled to Cambodia in May 2008 on CUFA's initial Credit Union Education Program.

## Committee Meetings

The Committee holds regular meetings with the Secretariat. In the 2012–2013 reporting year it met on seven occasions.

There was a six month delay in the appointment by COBA of a replacement Committee chairperson following the retirement of the previous chairman, Jeff Whalan, The scheduled committee meetings continued during the absence of a new chairperson. Committee minutes were later ratified once the new Chairperson had been appointed.

## THE SECRETARIAT

The Secretariat comprises a team of staff members employed by the Financial Ombudsman Service (FOS). This team provides secretarial code monitoring and administration services to the Committee and COBA by agreement.

## Executive Manager

**Dr June Smith**

July 2011 – current



Dr June Smith [B.A.Hons/LLB/PhD] has significant expertise in corporations law, compliance and regulatory frameworks in the financial services sector. June has a PhD in Law from Victoria University specialising in professional and business ethics and organisational decision making within financial services organisations.

Her external appointments include: Deputy Chair of the Conduct Review Commission of the Financial Planning Association of Australia, Member of Racing Victoria's Racing Appeals and Disciplinary Board, Member of the Lexis Nexis Financial Services Editorial Committee, Member of the Victorian Department of Health's Human Research Ethics Committee, and Victoria University Alumni Ambassador.

## Secretariat Staff

**Daniela Kirchlind**

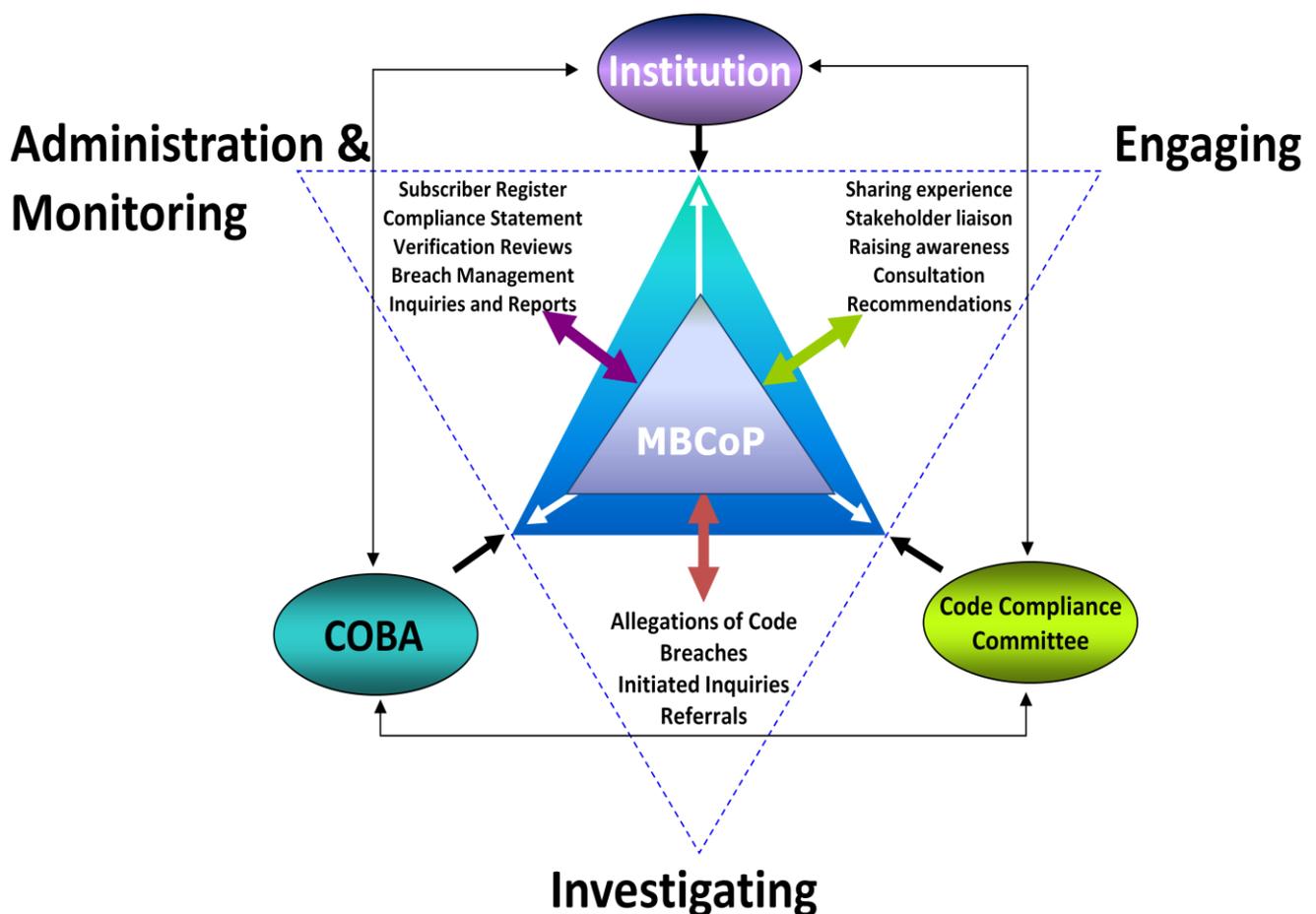
Compliance Manager

Daniela Kirchlind has a background in dispute resolution and has broad insurance industry experience, having worked in Australia and overseas. Daniela has a Bachelor of Commerce degree from Cologne University, and holds the German equivalent of the Australian Insurance Institute Associateship, in addition to a Graduate Diploma in Finance and Investment from the Securities Institute of Australia. In addition to her Compliance Manager role, Daniela is also responsible for Code management of the Insurance Brokers Code of Practice.

## THE COMMITTEE'S OPERATIONS

The Committee's compliance functions can be grouped into three broad categories:

- **monitoring** compliance with Code obligations and conducting own motion inquiries
- **investigating** and determination of complaints made by any person that a Code subscriber has breached the Code, and
- **engaging** with stakeholders about Code compliance matters and providing advice on a range of matters related to the Code and the Committee's operations.



## CODE MONITORING ACTIVITIES

### Purpose of the Annual Compliance Statement

One of the primary tools used by the Committee to monitor compliance with the Code is the Annual Compliance Statement (ACS). The ACS is a self assessment tool that assists each institution to review its compliance with Code obligations during the reporting period. Each institution is required to provide the ACS on an annual basis pursuant to section E18 of the Code.

The ACS process provides the Committee with:

- valuable information about current compliance issues within the sector, emerging risks and potential areas for industry improvement, and
- an understanding of the daily compliance challenges faced in a customer owned banking environment.

For institutions, the ACS program provides the opportunity to self report areas of non compliance with Code obligations, share information with the Committee about areas of good industry practice and highlight areas identified for priority attention or follow up.

The intention of the self reporting of breaches of Code obligations through the ACS program is to identify:

- the level of industry compliance with the Code;
- the appropriateness of institutions' responses to breaches and remedial actions taken, and
- areas for future compliance monitoring programs and guidance.

In requesting data through the ACS program and in the follow up process, the Committee is mindful that many institutions are limited in their resources. The intention is to enhance Code compliance capabilities progressively.

### Verification Review 2011–2012 ACS

Each year, we conduct a review with some institutions of their ACS data. The focus of the 2011-12 verification review was the general effectiveness of the Code compliance monitoring frameworks with these institutions including:

- breach monitoring and remediation, and
- internal dispute resolution processes.

In March 2013, the Secretariat completed a program of onsite visits and teleconferences with 16 institutions as part of this review. Of these 16 institutions:

- two clarified all outstanding Code compliance matters during the verification visit;
- seven provided further documentation following the visit to the Committee's satisfaction;
- three were requested to complete a review of documentation within the next six months;
- one will receive additional and assistance when transitioning to the new Code;
- two institutions have since merged, and
- one institution has subsequently cancelled its Code subscription.

## The 2013 Annual Compliance Statement Outcomes

### Collaborative Approach and Feedback

As part of its collaborative approach to monitoring and investigating compliance with the Code, the Committee consulted with institutions and COBA on the format and content of this year's ACS questionnaire.

The 2013 ACS program paid particular attention to:

- the overall effectiveness of Code compliance frameworks
- the identification, recording and rectification of Code breaches, and
- internal dispute resolution and obligations.

It is pleasing to note that all institutions returned the required ACS information by the requested 30 September time limit. The Committee wishes to thank all institutions for their co-operation in meeting this due date.

To assist the Committee's understanding of the resource required to complete the ACS questionnaire, institutions were requested to estimate the number of hours spent on the 2012-13 ACS process. As would be expected, completion times varied according to the size and complexity of the institution and its products and processes. There were, however differences and anomalies evident across similar sized institutions and the Committee will be reviewing these experiences as part of the forthcoming ACS verification programme. For example, 64% of institutions took up to three hours to complete the ACS questionnaire. 22% of institutions required up to one day.

The 2013 ACS questionnaire also asked for feedback on the ACS content and suggestions for improvement. The feedback provided during the process has been largely positive and the Committee is appreciative of the comments and suggestions received.

### Self reported Code compliance breach statistics

#### Quantitative Analysis

The following charts and appendices summarise the results of the self reported 2012-13 data:

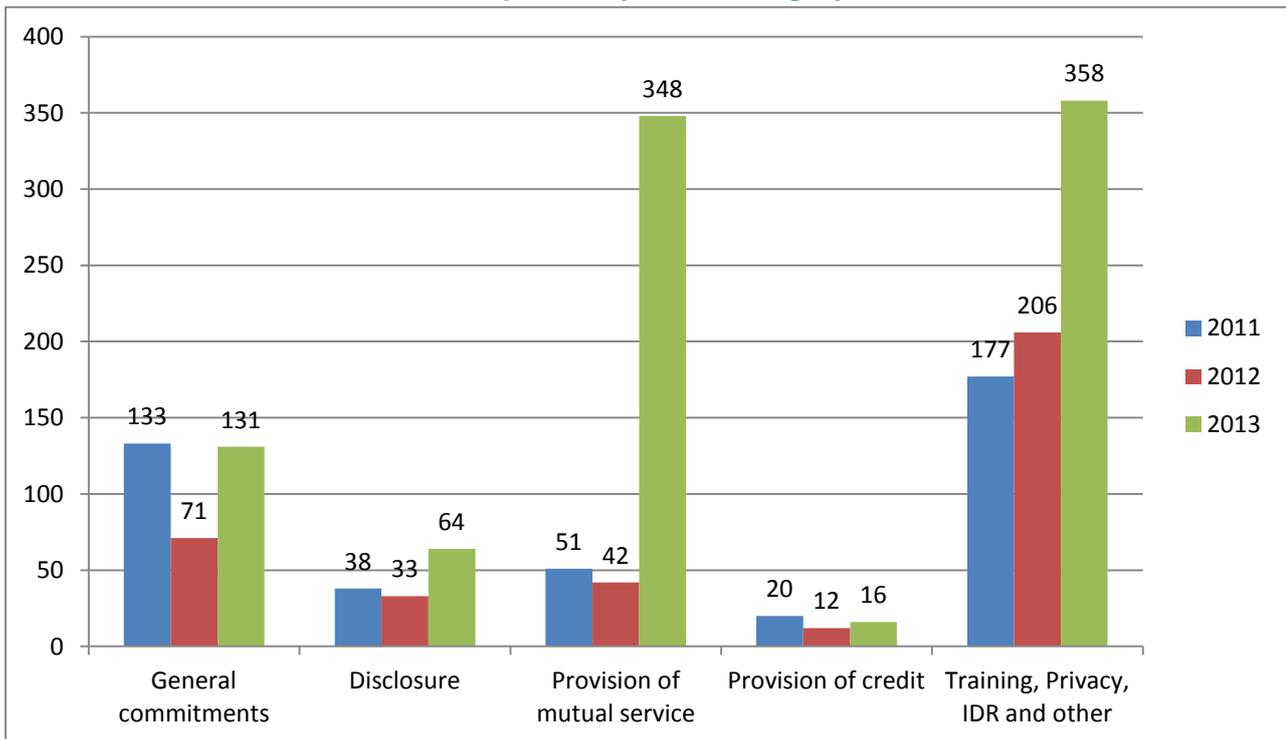
- Chart 1 - Number of breaches self reported by Code category
- Chart 2 - Number of significant breaches self reported by Code category
- Chart 3 - Number of breaches by Code clause, and
- Appendices C, D, E and F Additional information collated from the ACS information.

The significant observations drawn from the Committee's data analysis are as follows:

- An aggregate 917 Code breaches were self reported to the Committee by institutions in 2012-13, an increase of 553 (152%) on the 364 breaches reported last year.
- An increase in breaches reported by one institution (350 compared to nil last year) accounts for 63% of the 553 additional breaches reported in 2012-13.
- 66% of the 917 breaches reported were identified through quality assurance programs. T
- The remaining 34% were identified as a result of customer complaint investigations.
- 56 of the 91 subscribing institutions reported Code breach activity during the reporting year (62% compared to 50% in 2011-12) with three institutions collectively accounting for 486 (53%) of the total breaches.

- The major areas of non compliance with Code obligations classified by Code clause were:
  - training (clauses C5, D14 and E2) - 170 breaches (19%) compared to 28 breaches (8%) in 2011-12;
  - account access and account suitability (Clause D13) – 166 breaches (18%) compared to three breaches (1%) in the previous year;
  - chargebacks (clause D21) - 151 breaches (16%). No breaches were recorded in 2011-12;
  - key commitments (clauses C1, C2, C7, C8 and C9) - 121 breaches (13%), compared to 42 breaches (12%) in 2011-12, and
  - privacy and confidentiality (clause D23) - 111 breaches (12%), compared to 97 breaches (26%) in the previous year.

**Chart 1: Number of breaches self reported by Code category 2011-13**



### Significant breach reported

A significant breach of the Code obligations is determined by reference to a number of factors including:

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

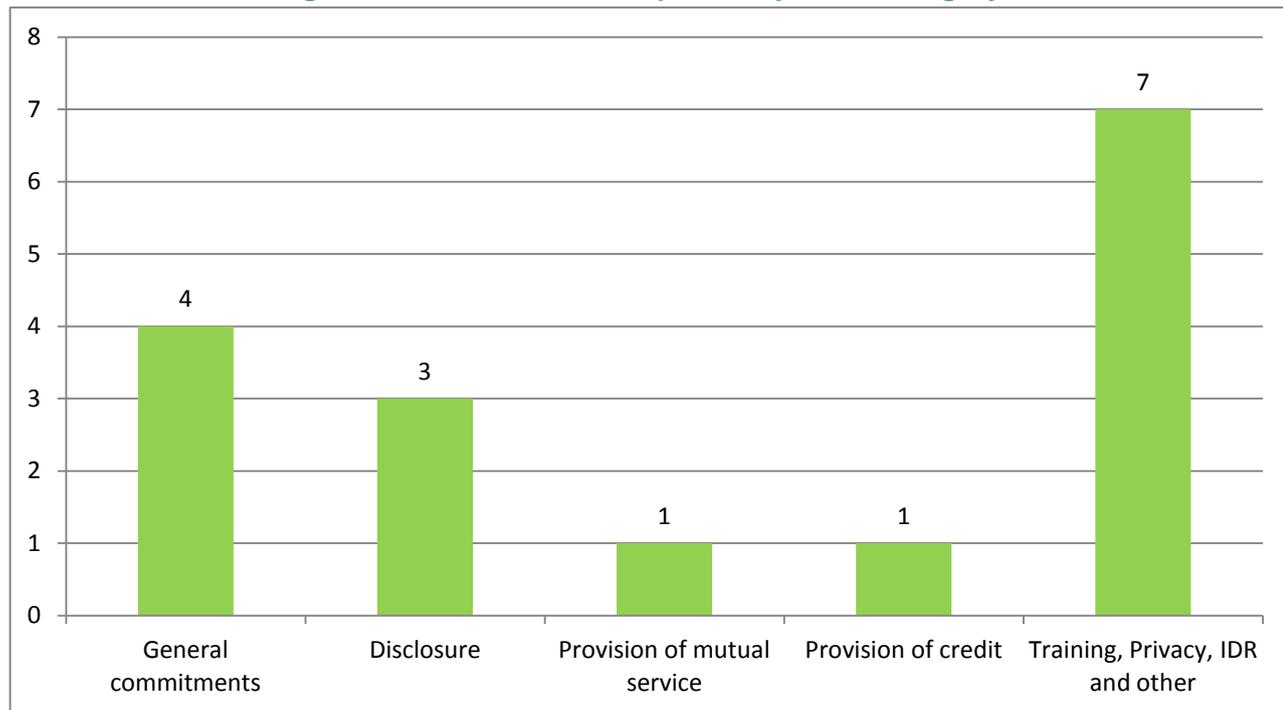
The 2012-13 ACS questionnaire included the reporting of significant breaches by the institutions for the first time. This is considered an important milestone in the evolution of the ACS process. In many respects the extent and nature of the significant breaches identified over the year represents an important indicator of Code compliance as, by definition, these breaches have the most impact on customers. Often these breaches together with remedial actions taken have also been previously reported to ASIC. The role of the

Code Compliance Committee is not to duplicate this regulatory action but to work with the institutions on ensuring it effectively complies with relevant Code obligations.

There were 16 significant breaches reported in 2012-13 by eight institutions. Appendix D contains information on these breaches, including the status of remedial actions.

These significant breaches cover a range of Code obligations with Disclosure, particularly of terms and conditions and interest rate changes, having the most customer impact. It is pleasing to note that remedial actions to address all Code breaches have either been completed or are underway.

**Chart 2: Number of significant breaches self reported by Code category 2013**



### Chargebacks and account access and account suitability

The major increase in breaches reported by one institution (350 compared to nil last year) accounts for 63% of the 553 additional Code breaches reported to the Committee in 2012-13. The breaches were related mainly to chargebacks and account suitability and account access obligations. The institution has advised that they identified as an outcome of an intensive code monitoring program undertaken during the reporting period. The Committee will be discussing the breach outcomes with this institution as part of its forthcoming ACS verification review.

### Improvements to Code compliance processes

The Committee is pleased to acknowledge the many initiatives implemented in 2012-13 to improve Code awareness, monitoring and breach identification within institutions.

These initiatives included:

- the promotion of *no blame* awareness programs to encourage staff to report actual and suspected breaches;
- updating of product terms and conditions to better align with the provisions of the Code;
- improved staff training, including development of *e learning* modules;

- more effective monitoring of Code related incidents, near misses, breaches and complaints;
- a mystery shopping program extended to cover Code compliance with cancellation of direct debits;
- the introduction of improved registers to assist breach and customer complaints identification and reporting;
- the launch of a new customer feedback framework to streamline complaints handling, and
- targeted compliance reviews on areas including chargebacks, direct debits and financial hardship assistance.

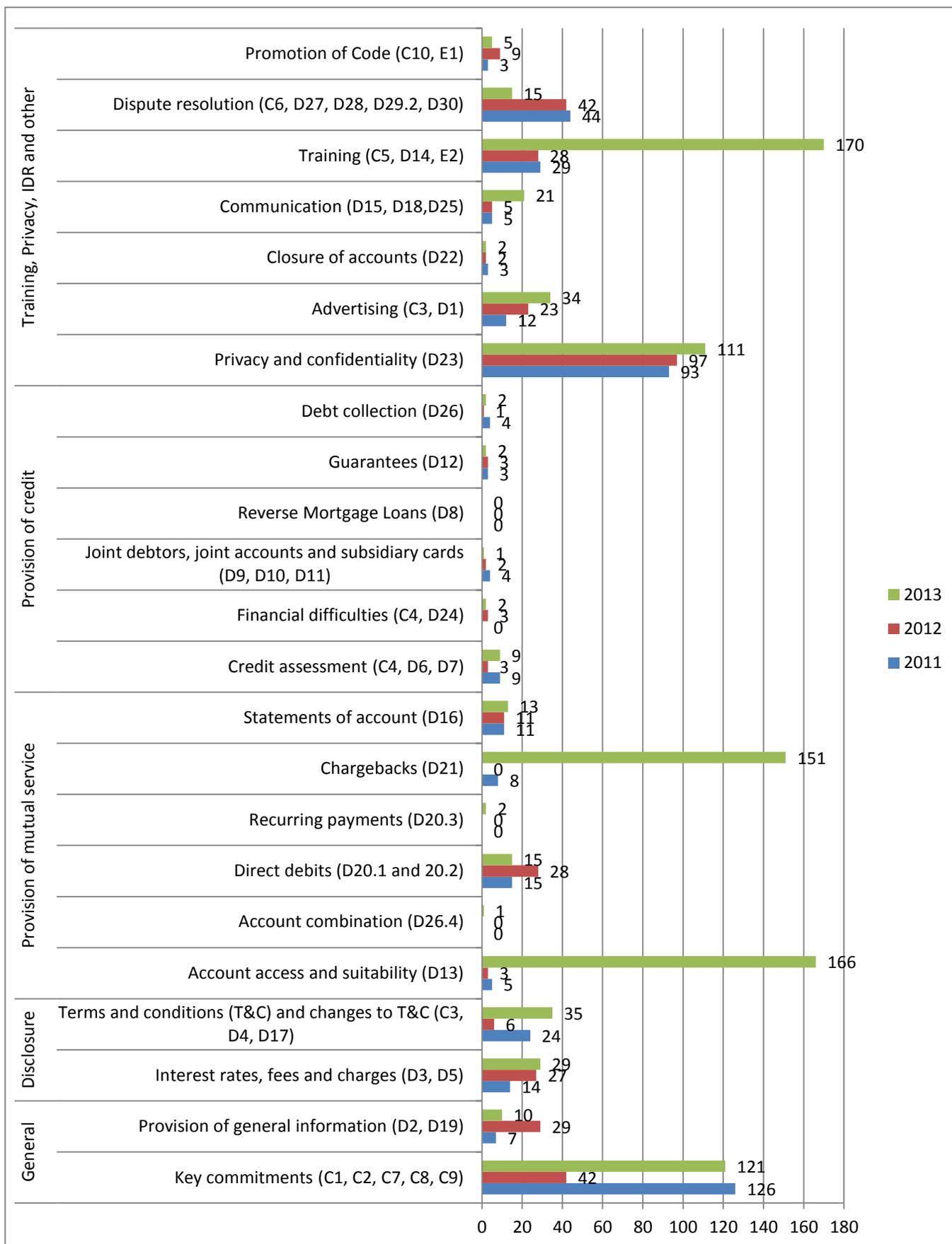
In particular, there has been greater emphasis on Code compliance monitoring within the institutions during the reporting year. Monitoring ranges from formal programs conducted by dedicated compliance and internal audit staff in the larger institutions to internal supervisory checks undertaken at the smaller institutions.

The information provided indicates that these processes extend to the analysis of the root cause of non-compliance and where necessary the remediation of Code breaches and mitigation of recurrence risk.

### **Institutions reporting nil breaches**

The number of institutions reporting nil breaches has reduced from 37 to 35 over the past 12 months. There are a number of institutions where a breach has yet to be reported over the three years of ACS data collection. The Committee will continue to assist these institutions with their compliance processes to ensure that current breach reporting reflects a true position of their performance.

**Chart 3: Number of breaches self reported by Code clause 2011-13**



## Internal Dispute Resolution Statistics

### Background

The 2012-13 ACS requested the following aggregated complaints handling data recorded by institutions' as part of their internal dispute resolution (IDR) systems:

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

This information is relevant to the assessment of institutions' 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*.

### Quantitative Results

The aggregate results collated from this data are outlined in Charts 4 and 5 below. The significant observations drawn by the Committee are as follows:

- customer complaints handled by the institutions' internal dispute resolution processes increased by 38% to 14,393 during the reporting year;
- the increase in complaint numbers occurred across most institutions;
- nine institutions recorded no complaints compared to 25 institutions last year;
- the major service/product areas for customer complaint in 2012-13 concerned transactions and services related to payment systems and deposit taking;
- 58% of complaints were resolved within five days, 88% within 21 days and 94% within 45 days. The 2011-12 comparatives of 73%, 89% and 94% indicate that significantly former complaints were resolved within a five day period;
- 74% of complaints were resolved in favour of the customer or by mutual agreement, compared to 64% last year, and
- 309 instances of non compliance with the Code (34% of total breaches) were identified from an internal analysis of customer complaints compared, to 117 (32% of total breaches) last year.

### Comments

In last year's annual report the Committee noted that there was diversity in the quality and content of institutions' complaints handling systems and processes. These systems and processes ranged from detailed recording and tracking of complaints in some of the larger institutions to limited manual based complaints registers in smaller institutions. As a result, at an industry level it is difficult to obtain and compare consistent data.

In 2012-13 the Committee provided additional guidelines to institutions about completing the ACS questionnaire including complaint definition and method of categorisation. The Committee believes this has assisted the provision of more accurate data in 2012-13.

As a result, the current year data provided by institutions is in most cases more consistent and comparable between institutions than the previous year. However there is clearly more work to be undertaken in this area and the Committee will again focus on generating further improvements in next year's ACS.

The Committee noted that there were only a small number of breaches of the Code's IDR obligations identified by institutions, despite the increase in complaint numbers and decrease in the number of complaints resolved within five days. Many institutions have indicated that reasons for the delay in resolution of complaints often reflect the extended time taken to receive additional information from the customer and where external resolution through an External Dispute Resolution Scheme such as FOS has been initiated.

The Committee is aware of the limitations of the 2012-13 complaints data and that improved identification and reporting of complaints partly explains the increase in their complaints reported to the Committee over the 12 months.

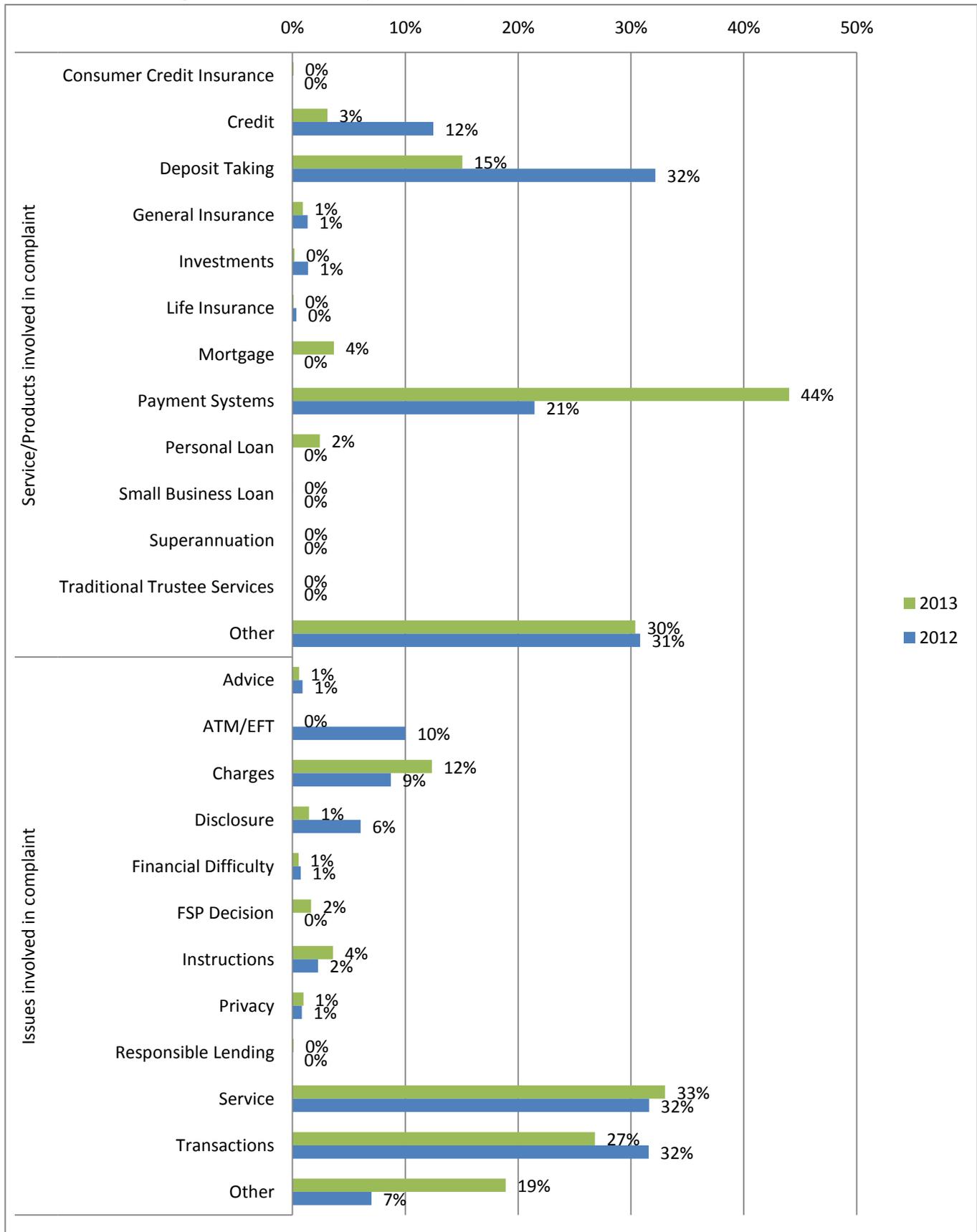
The Committee encourages institutions however to reflect on its traditional leadership role in providing superior customer banking service. This key market differentiator for the sector is demonstrated by a recent Roy Morgan Research Customer Satisfaction Survey<sup>4</sup> indicating that the sector enjoys a customer satisfaction score of almost 90 per cent.

The effective handling of customer complaints in a timely manner, including the undertaking of comprehensive root cause analysis, is important to maintaining this leadership position.

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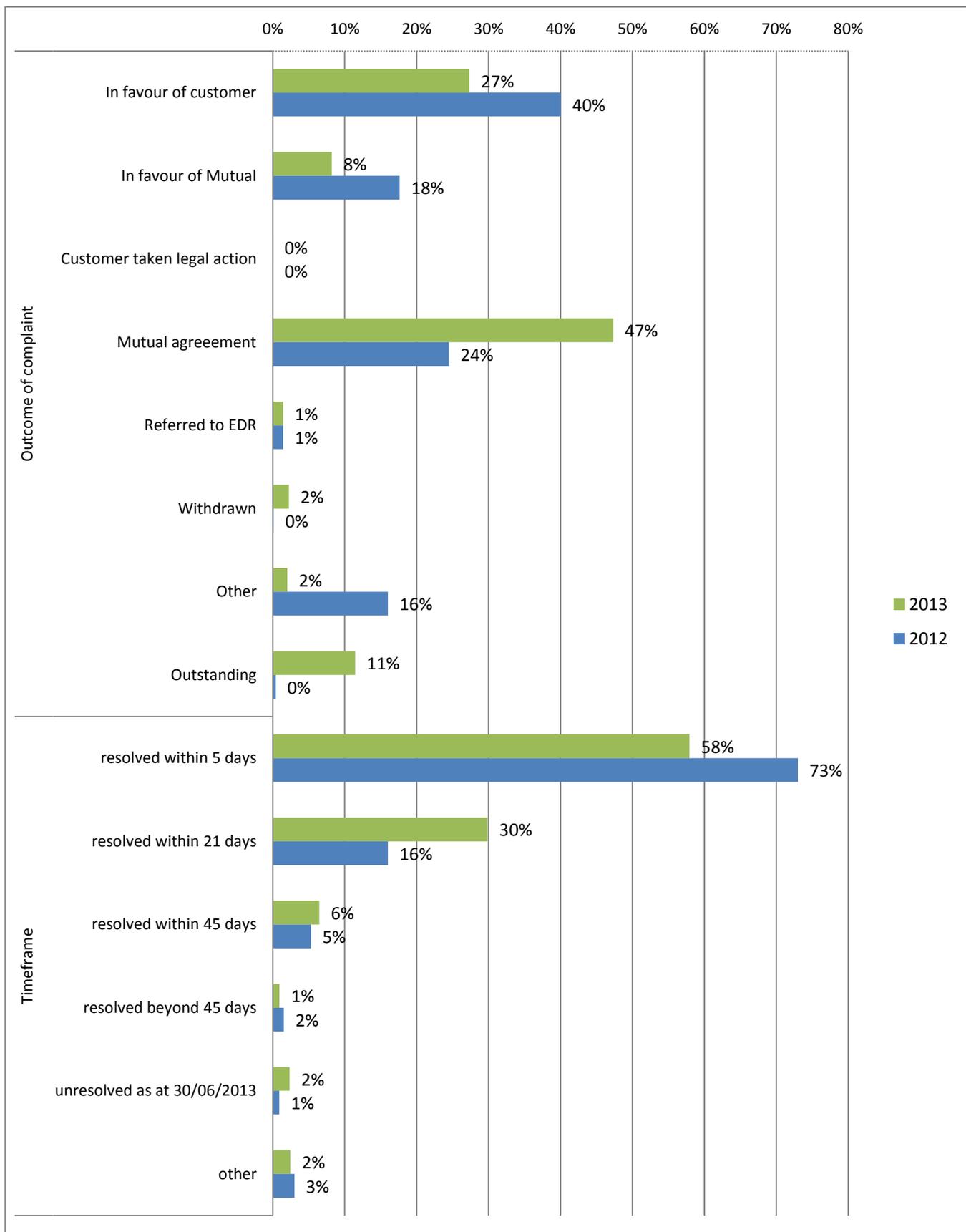
<sup>4</sup> Roy Morgan, Mutual Banking Sector: "Love can't buy you money", 14 October 2013, Finding 5241, <http://www.roymorgan.com/~media/Files/Findings%20PDF/2013/October/5241-MutualSectorSatisfactionDollarShare.pdf>

**Chart 4: Percentage of complaints by service/product and issues involved 2012 -13<sup>5</sup>**



<sup>5</sup> 'other' represents the number of complaints which were noted by the institution in the total number of complaints, but not further identified in regards to the service/products or issues involved

**Chart 5: Percentage of complaints by outcome and resolution 2012 -13<sup>6</sup>**



<sup>6</sup> 'other' represents the number of complaints which were noted by the institution in the total number of complaints, but not further identified in regards to the outcome or timeframe

## INVESTIGATING

### Background

As part of its role, the Committee is empowered to investigate complaints of alleged breaches of the Code by institutions. Complaints may be initiated by any third person, including customers or their advocates, potential customers (including small business) and other key stakeholders.

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.

In the 2012-13 reporting year, the Committee received no complaints requiring it to investigate an allegation of non-compliance with the Code. As indicated previously in this report, the Committee is concerned to ensure that all stakeholders understand the Committee's powers and functions under its new Charter and how they can access its investigative and monitoring functions. This will be an area of priority for the Committee in 2014

## ENGAGING

The Committee performs an important role in sharing knowledge and experience of Code compliance and good practice that is intended to encourage and influence the improvement of service standards across institutions.

To achieve this, the Committee:

- reviews industry practices and shares peer review information and benchmarks, and
- publishes reports, research papers and other educational material on its website.

### Publications

During the year the Committee:

- published four editions of the Committee's quarterly bulletin *Accomplish*<sup>1</sup>, and
- made available a number of media releases and reports from COBA, APRA and the ASIC on issues relevant to the COB sector on its [website](#).

## Training and on-site visits

The Committee increased its engagement with institutions on Code compliance issues by:

- conducting workshops and presentations on Code compliance in various capital cities, regional and metropolitan areas, and
- undertaking onsite visits and teleconferences to review ACS information and convey Committee knowledge and practical experience on Code compliance matters.

As demonstrated by Table 1 below, during the year the Secretariat initiated at least one personal contact with 76% of Code subscribers, and for 25% of institutions there was more than one personal contact.

**Table 1: Secretariat personal contacts with institutions 2013**

	NSW	NT	Qld	SA	Tas	Vic	WA	TOTAL
<b>Nil personal contact</b>	10		5	1		6	1	23
<b>One personal contact</b>	25	1	7	3	1	10	1	48
<b>More than one personal contact</b>	15		2	2		4	1	24
<b>TOTAL of Code subscribers 2011/2012</b>	50	1	14	6	1	20	3	95

## Stakeholder engagement

During the year the Committee and Secretariat met on a regular basis with relevant stakeholders including COBA, the Financial Ombudsman (FOS), the Credit Ombudsman Service Limited (COSL), the Australian Securities and Investments Commission (ASIC), Consumer Federation Australia (CFA) and Financial Counselling Australia (FCA).

The Committee and Secretariat participated in the Abacus AM Institute Convention held in Queensland in September 2012.

Executive Manager, Dr June Smith, presented at the COBA compliance roadshow in Melbourne, Sydney, Adelaide and Brisbane during October/November 2012 and conducted a compliance workshop related to the development of the 2013 ACS with six regional institutions in April 2013.

Dr Smith also presented a webinar relating to Code compliance issues in November 2012 and attended and presented at the Financial Counselling Australia Conference – EDR Forum *Unlocking the Codes* in May 2013.

## APPENDIX A: CODE SUBSCRIBERS AS AT 31 OCTOBER 2013<sup>7</sup>

Allied Members Credit Union Ltd	Encompass Credit Union Ltd
t/as <sup>8</sup> Comtax Credit Union	Family First Credit Union Limited
t/as Security Credit Union	Fire Brigade Employees' Credit Union
Australian Central Credit Union Ltd	Fire Service Credit Union Ltd
t/as People's Choice Credit Union	Firefighters & Affiliates Credit Co-operative Limited
AWA Credit Union Ltd	First Choice Credit Union Ltd
Bankstown City Credit Union Ltd	First Option Credit Union Limited
Berrima District Credit Union Ltd	Ford Co-operative Credit Society Limited
t/as BDCU	Gateway Credit Union Ltd
Big Sky Building Society Ltd	Goulburn Murray Credit Union Co-Operative Ltd
CAPE Credit Union Ltd	Greater Building Society Limited
Central Murray Credit Union Ltd	Heritage Bank Limited
Central West Credit Union Limited	Heritage Isle Credit Union Ltd
Circle Credit Co-operative Limited	Holiday Coast Credit Union Ltd
Coastline Credit Union Ltd	Horizon Credit Union Ltd
Collie Miners Credit Union Ltd	Hume Building Society Limited
Community Alliance Credit Union Limited	Intech Credit Union Ltd
t/as Catalyst Credit Union	t/as Intech Credit Union
t/as Illawara Credit Union	t/as Telstra Credit Union
t/as Shoalhaven Community Credit Union	Laboratories Credit Union Limited
t/as Western City Credit Union	Lysaght Credit Union Ltd
Community CPS Australia Limited	Macarthur Credit Union Ltd
t/as Beyond Bank	Macquarie Credit Union Ltd
Community First Credit Union Limited	Maitland Mutual Building Society Ltd
Community Mutual Ltd	Manly Warringah Credit Union Limited
t/as Hunter Mutual	t/as Northern Beaches Credit Union
t/as New England Mutual	Maritime Mining & Power Credit Union Limited
t/as Orana Mutual	t/as Maritime Mining & Power Credit Union
Country First Credit Union Limited	t/as Gosford City Credit Union
Credit Union Australia Ltd	t/as Reliance Credit Union
t/as CUA	MCU Limited
Credit Union SA Limited	mecu Limited
Defence Bank Ltd	t/as bankmecu
Dnister Ukrainian Credit Co-Operative Ltd	My Credit Union Limited
ECU Australia Ltd	Newcom Colliery Employees Credit Union Ltd
EECU Limited	Northern Inland Credit Union Ltd

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<sup>7</sup> The decrease in the number of Code subscribers from 95 to 91 over the last 12 months follows a series of mergers and acquisitions within the industry.

<sup>8</sup> t/as denotes 'trading as'

Nova Credit Union Limited	Service One Credit Union Ltd
Old Gold Credit Union Co-operative Ltd	t/as Service One Members Banking
Orange Credit Union Limited	SGE Credit Union Limited
Police and Nurses Limited	Shell Employees' Credit Union Ltd
t/as P&N Bank	South West Credit Union Co-operative Ltd
Police Bank Ltd	South West Slopes Credit Union Ltd
t/as Police Bank	Southern Cross Credit Union Ltd
t/as Customs Bank	Summerland Credit Union Limited
Police Credit Union Limited	Sutherland Credit Union Ltd
Police Financial Services Limited	Swan Hill Credit Union Limited
t/as BankVic	Teachers Mutual Bank Limited
Pulse Credit Union Ltd	The Broken Hill Community Credit Union Ltd
t/as Pulse Credit Union	The Capricornian Ltd
t/as La Trobe University Credit Union	The Gympie Credit Union Ltd
t/as Melbourne University Credit Union	The University Credit Society Ltd
Qantas Staff Credit Union Ltd	t/as Unicredit
QT Mutual Bank Limited	Traditional Credit Union Ltd
Quay Credit Union Ltd	Transcomm Credit Co-Operative Ltd
Queensland Country Credit Union Limited	Transport Mutual Credit Union Ltd
Queensland Police Credit Union Ltd	Victoria Teachers Limited
Queensland Professional Credit Union Ltd	t/as Victoria Teachers Mutual Bank
Queenslanders Credit Union Limited	Warwick Credit Union Ltd
Railways Credit Union Ltd	WAW Credit Union Co-operative Ltd
Select Credit Union Limited	Woolworths Employees Credit Union Limited
	Wyong Council Credit Union Ltd

## APPENDIX B: DEFINITIONS

In this Report, and unless otherwise stated:

<b>ACS</b>	means Annual Compliance Statement as specified in section E18 of the Code.
<b>Annual Report</b>	means this report as specified in section 14 of the Constitution of the Mutual Banking Code Compliance Committee Association.
<b><a href="#">APRA</a></b> <sup>9</sup>	means the Australian Prudential Regulation Authority.
<b><a href="#">ASIC</a></b>	means the Australian Securities and Investments Commission.
<b>CCC</b>	see Committee.
<b><a href="#">COBA</a></b>	means Customer Owned Banking Association which replaced Abacus Australian Mutuals as the industry advocate for Australia's customer owned banking sector effective 1 July 2013.
<b><a href="#">Code</a></b>	means the Mutual Banking Code of Practice.
<b>Committee</b>	means the Mutual Banking Code Compliance Committee as specified in section 4 of the Constitution.
<b><a href="#">Constitution</a></b>	means the Constitution of the Mutual Banking Code Compliance Committee Association.
<b><a href="#">COSL</a></b>	means the Credit Ombudsman Service Limited.
<b>Customer owned banking Institution (institution)</b>	means a Credit Union, Mutual Bank or Mutual Building Society member of COBA that subscribes to the Code (previously referred to as a Mutual).
<b>EDR Scheme</b>	means an External Dispute Resolution scheme to which a Code subscribing customer owned banking institution belongs and whose jurisdiction encompasses obligations addressed by the Code. These schemes are the Credit Ombudsman Service Limited and the Financial Ombudsman Service.
<b><a href="#">FOS</a></b>	means the Financial Ombudsman Service.
<b>IDR Scheme</b>	means the Internal Dispute Resolution scheme of a Code subscribing customer owned banking institution.
<b>MBCCCA</b>	means the Mutual Banking Code Compliance Committee Association as specified in section 3 of the Constitution.

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<sup>9</sup> Items marked in green contain active hyperlinks to websites where further information can be found.

## APPENDIX C: COMPARATIVE TABLE - SELF REPORTED CODE BREACH DATA 2011-2013

Group	Code category	2010/2011		2011/2012		2012/2013		
		Total Breaches		Total breaches		Total breaches		Significant breaches
General	Key commitments (C1, C2, C7, C8, C9)	126	30%	42	12%	121	13%	3
	Provision of general information (D2, D19)	7	2%	29	8%	10	1%	1
	<b>TOTAL GENERAL</b>	<b>133</b>	<b>32%</b>	<b>71</b>	<b>20%</b>	<b>131</b>	<b>14%</b>	<b>4</b>
Disclosure	Interest rates, fees and charges (D3, D5)	14	3%	27	7%	29	3%	2
	Terms and conditions (T&C) and changes to T&C (C3, D4, D17)	24	6%	6	2%	35	4%	1
	<b>TOTAL DISCLOSURE</b>	<b>38</b>	<b>9%</b>	<b>33</b>	<b>9%</b>	<b>64</b>	<b>7%</b>	<b>3</b>
Provision of mutual service	Account access and suitability (D13)	5	1%	4	1%	166	18%	0
	Account combination (D26.4)	0	0%	0	0%	1	* <sup>10</sup>	0
	Direct debits (D20.1 and D20.2)	15	4%	28	8%	15	2%	0
	Recurring payments (D20.3)	0	0%	0	0%	2	*	0
	Chargebacks (D21)	8	2%	0	0%	151	16%	0
	Statements of account (D16)	11	3%	10	3%	13	1%	1
	<b>TOTAL PROVISION OF MUTUAL SERVICES</b>	<b>51</b>	<b>10%</b>	<b>42</b>	<b>12%</b>	<b>348</b>	<b>37%</b>	<b>1</b>
Provision of credit	Credit assessment (C4, D6, D7)	9	2%	3	1%	9	1%	1
	Financial difficulties (C4, D24)	0	0%	3	1%	2	*	0
	Joint debtors, joint accounts and subsidiary cards (D9, D10, D11)	4	1%	2	1%	1	*	0
	Reverse Mortgage Loans (D8)	0	0%	0	0%	0	0%	0
	Guarantees (D12)	3	1%	3	1%	2	*	0
	Debt collection (D26)	4	1%	1	*	2	*	0
	<b>TOTAL PROVISION OF CREDIT</b>	<b>20</b>	<b>5%</b>	<b>12</b>	<b>4%</b>	<b>16</b>	<b>1%</b>	<b>1</b>
Training, Privacy, IDR and other	Privacy and confidentiality (D23)	93	21%	97	26%	111	12%	1
	Advertising (C3, D1)	12	3%	23	6%	34	4%	1
	Closure of accounts (D22)	3	1%	2	1%	2	*	0
	Communication (D15, D18, D25)	5	1%	5	1%	21	2%	0
	Training (C5, D14, E2)	29	7%	28	8%	170	20%	0
	Dispute resolution (C6, D27, D28, D29.2, D30)	44	11%	42	12%	15	2%	0
	<b>TOTAL OTHER</b>	<b>177</b>	<b>44%</b>	<b>206</b>	<b>55%</b>	<b>358</b>	<b>41%</b>	<b>7</b>
<b>TOTAL</b>		<b>419</b>		<b>364</b>		<b>917</b>		<b>16</b>
Number of Mutuals who reported breaches		44	44%	50	53%	56	62%	9

<sup>10</sup> \* not shown as percentage as below 1%

## APPENDIX D: SIGNIFICANT CODE BREACHES REPORTED BY INSTITUTIONS IN 2013

Code category		Code Clause	No. of Breaches	Issue	Background	Outcome
General	Key commitments and general obligations	C8 'comply with legal and industry obligations'	3	Powers of Attorney not obtained	A power of attorney required to operate a managed discretionary account was not obtained for client accounts.	Impacted clients were advised of the breach and there have been no further changes to client investments until the required powers of attorney have been provided.
				Non disclosure of commissions	Financial planning advice was provided to some clients without the requisite disclosure in the statement of advice of commissions payable to the institution.	Clients have been compensated through the refund of commissions and interest.
				Unclaimed monies not forwarded	Breakdowns in internal processes resulted in a one month delay in payment of unclaimed monies to ASIC.	Delayed payments were made and processes are in place to comply with the unclaimed monies legislation.
	Provision of general information AND Provision of credit – credit assessment	D2 'product information' C4 'responsible lenders'	1 1	Update of relevant documents	The ATO changed the capped amount under the First Home Owners grant. Internal procedures were updated but member disclosure in the website and PDS were not similarly updated at time of change.	Documents updated as a matter of urgency, to ensure correct information provided to members. Checklist created to capture future changes to disclosure documents when ATO makes updates.
Disclosure						

	<b>Terms and conditions (T&amp;C) and changes to T&amp;C</b>	D17 <i>'changes to account'</i>	1	Interest rate changes not advised	Advertising of loan interest rates in 193 branches did not include a reference to a comparison rate as required by the National Credit Code. The national campaign was rolled out prematurely in these branches and failed to adhere to the established legal and compliance approvals.	Corrective actions were introduced in consultation with ASIC. Actions included removal of the unauthorised material and communications to the branch network of the required approval protocols.
<b>Provision of mutual banking services</b>	<b>Statements of accounts</b>	D16 <i>'account statements and balances'</i>	1	Account statements not forwarded	Following a systems change error, the required periodic statements of account were not forwarded to 451 customers.	Statements were issued and overdrawn and dishonour fees refunded to impacted customers.
<b>Training, Privacy, IDR and Other</b>	<b>Promotion of the Code</b>	B <i>'incorporate in T&amp;Cs'</i> E1 <i>'publicise Code'</i>	1 4	Disclosures not updated	FSG and PDS not updated with new Code.	Website checked regularly for compliance issues and updating of online documents.
	<b>Advertising</b>	D1 <i>'Advertising'</i>	1	Incorrect interest rate calculation	The calculation of term deposit interest due to customers in a leap year was incorrect due to the impact of the extra day's interest. Although average interest understatement per customer was immaterial, the breach was deemed significant due to the number of customers impacted and the systemic nature of the breach.	Systems change was implemented to standardise the calculations and terms and conditions disclosures were updated. ASIC was notified of the breach
	<b>Privacy and confidentiality</b>	D23 <i>'information on privacy and security'</i>	1	Malfunction during transport of documents	While transporting documents off-site for destruction, a number of pages from a loans report were inadvertently released from the truck.	An investigation of the incident to identify cause and probability of reoccurrence was undertaken. A voluntary report was lodged with the Privacy Commissioner who confirmed that appropriate action had been taken.

## APPENDIX E: COMPARATIVE TABLE - IDR DATA 2012-2013

	Category	2011/2012		2012/2013	
<b>Products involved in consumer complaint</b>	Consumer Credit Insurance	0	0%	13	* <sup>11</sup>
	Credit	1299	12%	448	3%
	Deposit Taking	3345	32%	2166	15%
	General Insurance	140	1%	132	1%
	Investments	145	1%	26	*
	Life Insurance	36	*	13	*
	Mortgage	0	%	530	4%
	Payment Systems	2232	20%	6334	44%
	Personal Loan	0	0%	350	1%
	Small Business Loan	0	0%	4	*
	Superannuation	0	0%	3	*
	Traditional Trustee Services	0	0%	0	0%
Other <sup>12</sup>	3204	31%	4374	30%	
<b>Issues involved in consumer complaint</b>	Advice	94	1%	84	1%
	ATM/EFT	1042	10%	N/A	N/A
	Charges	907	9%	1779	12%
	Disclosure	628	6%	211	1%
	Financial Difficulty	76	1%	78	1%
	FSP Decision	0	0%	239	2%
	Instructions	236	2%	517	4%
	Privacy	87	1%	140	1%
	Responsible Lending	0	0%	15	*
	Service	3287	32%	4752	33%
	Transactions	3283	32%	3859	27%
	Other	761	7%	2719	19%
<b>Outcome of consumer complaint</b>	In favour of customer	4164	40%	3935	27%
	In favour of Mutual	1833	18%	1181	8%
	Customer taken legal action	0	0%	1	*
	Mutual agreement	2547	24%	6812	47%
	Referred to EDR	149	1%	206	1%
	Withdrawn	12	*	322	2%
	Other	1654	16%	289	2%
	Outstanding	42	*	1647	11%
<b>Timeframe</b>	resolved within 5 days	7713	73%	8338	58%
	resolved within 21 days	1583	16%	4299	30%
	resolved within 45 days	552	5%	932	6%
	resolved beyond 45 days	159	2%	135	1%
	unresolved as at 30/06/2013	94	1%	337	2%
	other	300	3%	352	2%
Number of complaints which include Code breaches		117	1%	309	2%
Total number of complaints		10401		14393	
Number of Mutuals who reported complaints		67	71%	82	90%

<sup>11</sup> \* not shown as percentage as below 1%

<sup>12</sup> 'other' represents the number of complaints which were not further specified by the institution

## APPENDIX F: ADDITIONAL TABLES - COMPLAINTS AND BREACH DATA 2011-13

### Number of consumer complaints and code breaches by size of institution

	Number of Complaints			Number of Breaches		
	2011 <sup>13</sup>	2012	2013	2011	2012	2013
Total number of institutions	n/a	95	91	99	95	91
Reported by all Institutions	n/a	10,401	14,393	419	364	917
Reported by institutions with	n/a					
• more than 100 employees FTE <sup>14</sup>		8,829	11,292	199	236	287
• 31 to 100 employees FTE	n/a	1,377	2,552	169	84	520
• up to 30 employees FTE	n/a	195	549	51	44	110

### Number of Institutions reporting complaints for period 2011-2013

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

### Number of Institutions reporting code breaches for period 2011-2013

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

<sup>13</sup> The 2011 Annual Compliance Statement did not request consumer complaints data for 2010/2011 period.

<sup>14</sup> Full Time Equivalent



Code Compliance Committee  
PO Box 14240  
Melbourne VIC 8001  
Ph 1300 78 08 08  
[www.cccmutuals.org.au](http://www.cccmutuals.org.au)  
[info@codecompliance.org.au](mailto:info@codecompliance.org.au)

December 2013