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Dear Sir/Madam

**Addendum to Consultation Paper 311 *Internal dispute resolution: Update to RG 165*
Submission by Australian Finance Group Ltd ACN 066 385 822**

Australian Finance Group Ltd (AFG) was founded in 1994, was listed on the Australian Securities Exchange in 2015, and has grown to become one of Australia's largest mortgage broking groups. Approximately 2,950 brokers (of which approximately 1400 are credit representatives of AFG) arrange residential mortgages, commercial finance and other loan products through AFG.

AFG welcomes the opportunity to respond to the Addendum to Consultation Paper 311 *Internal dispute resolution: Update to RG 165* (the **Addendum**) and the *Internal dispute resolution: Updated draft data dictionary* (the **Draft Data Dictionary**) accompanying the Media Release (20-327MR) issued by the Australian Securities and Investment Commission (**ASIC**) on 16 December 2020. For the purposes of this submission, AFG's response is limited to the specific questions in the Addendum that are relevant to AFG and comments on the categories in the Draft Data Dictionary.

1. Question 4: Do you support quarterly reporting of IDR data? If not, what are the additional costs of reporting data on a quarterly rather than half yearly basis?

AFG submits that the original proposal for 6 monthly reporting of IDR data is more reasonable. We estimate that if quarterly reporting is implemented, this would result in an additional 35 to 40 hours of work to collate and draft the report and for the report to follow the internal approval process in the quarter. AFG submits that the benefit of the more frequent reporting does not outweigh this cost. A 6 month reporting period is also likely to provide a more fulsome picture of the complaints in the period, given some complaints may not be fully resolved in the quarter period.

2. Question 5: Do you support the two proposed additional data elements that would capture consumer vulnerability flags and the channel via which the complaint was received? If not, why not?

AFG supports the introduction of the two additional data elements.

In relation to consumer vulnerability, AFG submits that firms will require clear guidelines from ASIC on when firms should 'flag' this data element. As there are many subjective interpretations of a 'vulnerable consumer', there is a real risk that the integrity of this data element will be compromised if firms are not applying a consistent and transparent criterion.

If the interpretation of a 'vulnerable customer' is not defined objectively, there is also a risk that firms will flag all complainants as vulnerable with the repercussions of misallocating a complainant also being uncertain.

3. Question 6: When we publish the IDR data, how can we best contextualise the data of individual firms? Are there any existing metrics of size and sector that would be appropriate for this purpose?

AFG considers the existing metrics used by the Australian Financial Complaints Authority (AFCA) in their DataCube data gathering, are adequate and appropriate.

In relation to aggregators, as most aggregators offer similar compliance services for their credit representatives, AFG submits that it is appropriate to compare all aggregators regardless of size of the aggregator.

4. Question 7: Which IDR data elements do you think will be most useful for firms to benchmark their IDR performance against competitors?

In AFG's experience with consumer complaints, the most useful data elements in the Draft Data Dictionary are 'outcome of IDR' and 'time to close complaint'.

AFG also submits that an additional data element not currently included in the Draft Data Dictionary that would be extremely useful to include, is where the complaint was lodged to the wrong entity or was outside the jurisdiction of the IDR process. As there is a proposed requirement to record all complaints, even those resolved within 5 business days (which is a significant deviation from the previous requirement), an additional data field to capture those complaints which have been mistakenly made to a licensee or cannot be made to a licensee as they do not relate to regulated activities, would expedite the IDR process and provide useful information to ASIC and industry on those issues.

5. Comments on categories in the Draft Data Dictionary

In Table 4 of the Appendix to the Draft Data Dictionary which lists out the relevant products or service, AFG submits that it would be helpful to add a new category under the Consumer Credit row for

'Consumer asset finance' or alternatively include a reference to 'Consumer asset finance' in item 13 after 'Hire purchases/leases'.

In Table 13 of the Appendix to the Draft Data Dictionary which lists out the 'Complaint issue', AFG submits that it would be helpful to Australian Credit Licensees if ASIC could clarify if the 'Advice' row is intended to also capture credit assistance (including the new mortgage broker best interests duty). If this is the case, we submit that the 'Advice' row description should be expanded to include 'Credit assistance'.

In addition, in the 'Financial entity decision' row of Table 13 of the Appendix to the Draft Data Dictionary, there are two similar types of entries: '36 Appropriate lending' and '54 Responsible Lending'. Could ASIC please clarify in what circumstances it would expect a complaint to fall in item 36 versus item 54? AFG submits that these two similar (but technically different items) may cause confusion for firms and lead to disparate entries and therefore affect the integrity of the data.

Please do not hesitate to contact AFG if you require any further detail about the matters raised in this submission or if AFG can provide any further assistance in the development of alternative proposals.

Yours sincerely

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Australian Finance Group Ltd