

Final Remediation Report Summary

BMW Australia Finance Limited

4 September 2019

CONFIDENTIAL

LIMITATION

This Final Remediation Report Summary is prepared to provide a summary of our work carried out as the Independent Expert as defined within paragraph 3.22 of the Enforceable Undertaking between BMW Australia Finance Limited (BMWAF) and the Australian Securities & Investments Commission (ASIC).

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Our scope and other limitations are stated in our engagement agreement and statement of work dated 22 December 2016 and updated via an addendum signed by BMWAF on 8 July 2019.



1. Final Remediation Report Summary

1.1 Background

BMW Australia Finance Limited (BMWAF) offered, and the Australian Securities & Investments Commission (ASIC) accepted, an Enforceable Undertaking (EU) on 2 December 2016 to remediate potential consumer detriment resulting from non-compliant lending practices.

BMWAF was required to engage an Independent Remediation Consultant to monitor and assess whether customers were being remediated in accordance with the Remediation Program (Program) and, where necessary, make reasonable recommendations.

EY was approved by ASIC and engaged by BMWAF on 22 December 2016 as the Independent Remediation Consultant.

1.2 Our scope

The scope of our role is defined in paragraph 3.22 of the EU and reflected in our Statement of Work addendum signed by BMWAF on 8 July 2019:

- ▶ EU 3.22(c)(ii) – within 30 days after the end of the Refund Period, provide a Final Remediation Report to ASIC
- ▶ EU 3.22(d) – within 30 days of the Final Remediation Report, provide a statement to ASIC as to whether all requirements and obligations set out in the Remediation Program have been completed.

In addition to the EU requirements, ASIC requested additional matters be addressed as part of our work.

1.3 Our approach

Our approach sought to assess the activities, controls and outcomes relied on by BMWAF to deliver the Program and whether the outcomes were consistent with the Program's design and principles.

Our approach considered work previously done as part of our ongoing reporting obligations under the EU. This included 11 Independent Customer Remediation reports containing our findings and recommendations spanning from March 2017 to October 2018.

Where BMWAF has implemented controls to manage completeness, accuracy and consistency risks, we focused our testing on the effectiveness of these controls.

We applied a risk-based approach when selecting sample sizes for our testing. We used a combination of statistical sampling and controls-based testing to establish a reasonable basis to assess the effectiveness of BMWAF's controls.

1.4 Summary of findings and recommendations

The BMWAF Customer Remediation Program was closed on 31 January 2019. The remaining 24 cases (customers that complained to the Credit and Investments Ombudsman (CIO) which has transitioned to the Australian Financial Complaints Authority (AFCA)) continue to be managed through BMWAF's business as usual processes and controls.

As required under 3.22(d) of the EU, we found BMWAF has materially completed all requirements and obligations set out in the Customer Remediation Program.

As part of its Closure activities, BMWAF has demonstrably reconciled the completeness and accuracy of its customer remediation population and outcomes.

The below table outlines key statistics from the Program:

| Nature of remediation | Number of customers | Total value of remediation |
|---|---------------------|----------------------------|
| Remediation payments | 6,442 | \$21,147,150 |
| Of which, credits made to current loans | 2,492 | \$12,933,524 |
| Write-off | 2,719 | \$51,845,323 |
| Total | | \$72,992,473 |

Note: Remediation payments and write-off cohorts are not mutually exclusive. Therefore, total customers remediated is 8,318.

1.4.1 Recommendations

We have not seen the need to provide further recommendations.

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