



AUSTRALIAN COLLECTORS &
DEBT BUYERS ASSOCIATION

8 August 2019

Ms Jacqueline Rush
Senior Policy Adviser
Australian Securities and Investments Commission
GPO Box 9827
MELBOURNE VIC 3001

email: IDRSubmissions@asic.gov.au

Dear Ms Rush

ASIC Consultation Paper 311

Internal Dispute Resolution: Update to RG 165

The Australian Collectors & Debt Buyers Association (ACDBA) is pleased to provide the attached Submission in response to the above Consultation Paper.

Please do not hesitate to contact the writer to discuss any aspect of the Submission.

Yours sincerely

AUSTRALIAN COLLECTORS & DEBT BUYERS ASSOCIATION

A handwritten signature in black ink, appearing to read 'Alan Harries'. The signature is stylized and somewhat cursive, with a long, sweeping tail that extends to the right.

Alan Harries
CEO
Email: [REDACTED]



AUSTRALIAN COLLECTORS &
DEBT BUYERS ASSOCIATION

***Submission to ASIC Consultation Paper 311
Internal dispute resolution:
Update to RG 165***

August 2019

Contents

Australian Collectors & Debt Buyers Association	3
Debt purchasing	3
Perspectives	3
Responses to consultation questions	5
Definition of 'complaint' - AS/NZS 10002:2014	5
Definition of 'complaint' - Additional guidance	5
ACDBA Recommendation 1	6
Definition of 'small business'	7
Recording all complaints received	7
ACDBA Recommendation 2	7
Recording a unique identifier and prescribed data set for all complaints received	8
IDR data reporting	9
Guiding principles for the publication of IDR data	9
ACDBA Recommendation 3	10
IDR responses - Minimum content requirements	10
IDR responses - Superannuation trustees	10
Reduced maximum IDR timeframes	10
ACDBA Recommendation 4	11
Role of customer advocates	11
Systemic issues	12
IDR Standards	12
Transitional arrangements for the new IDR requirements	12
Contact	13
Appendix 1 - Members of Australian Collectors & Debt Buyers Association	14
Appendix 2 - Debt Purchasing explained	15

Australian Collectors & Debt Buyers Association (ACDBA) welcomes the opportunity to provide some perspectives and considerations on the matters canvassed in the Australian Securities & Investments Commission's (ASIC) Consultation Paper 311 (CP311).

Australian Collectors & Debt Buyers Association

ACDBA was established in 2009 for the benefit of companies who collect, buy and/or sell debt - our members (refer Appendix 1) represent the majority of the collection market in Australia.

The core business of our members within the financial services industry is in the credit impaired consumer segment, whether as collectors or debt purchasers, working with consumers who for various reasons, have found themselves in default of their credit obligations.

Our members purchasing debt, each hold an Australian Credit Licence and are members of AFCA.

Debt purchasing

Accounts assigned to debt purchasers typically involve debts where an acceleration clause in the financial agreement has been triggered by the customer's default in making repayments. Many with accelerated debts are in hardship giving rise to complex, contested and unresolved issues. Debt purchasers are specialists in dealing with and managing hardship as they almost exclusively interact with customers in some form of financial difficulty.

An expanded explanation of how debt purchasing operates in Australia is included as Appendix 2.

Perspectives

Prior to setting out responses to the specific questions raised in CP311, we include some perspectives and considerations in respect to Internal Dispute Resolution (IDR) as part of the financial services dispute resolution framework:

The proposal for mandatory IDR reporting is seen as imposing an unnecessary burden which will be counterproductive to the objective of promoting strong and efficient IDR processes.

The most efficient IDR processes are those which occur on the operational floor. Front line staff must be trained and empowered with sufficient authority to be able to respond to, and resolve, dissatisfaction in the first instance. A process that requires the capture of 37 separate data variables in relation to each expression of dissatisfaction, even where it is immediately resolved, will be counterproductive to the existing efficiencies, and will require expressions of dissatisfaction to be escalated to dedicated complaints teams who are trained in the IDR reporting obligations, leading to disempowered frontline staff, negatively impacting customer experience and decreasing resolution rates.

Mandatory IDR reporting will not add significant value. There are already sufficient incentives for strong compliance and IDR systems within financial services, namely External Dispute Resolution (EDR) which is very costly with costs being levied based on disputes.

Poor compliance and IDR management sees more disputes escalate to EDR which in turn results in more dispute fees providing an incentive for the financial services provider to improve.

The EDR scheme operated by the Australian Financial Complaints Authority (AFCA) already actively monitors IDR processes through its systemic issues jurisdiction and indeed is in the best position to monitor a provider's IDR effectiveness because every dispute reaching EDR will already have been subject to IDR.

Reporting of disputes by AFCA will provide regulators and consumers with an indication of standards of compliance and IDR management by financial services providers – this is borne out by the published ‘league tables’ of the EDR statistics for individual providers by AFCA and prior to AFCA its predecessor EDR industry schemes already encouraging positive performance.

We contend the requirement for mandatory reporting of IDR to ASIC is with respect, more likely to encourage non-compliance with IDR requirements than to improve such compliance.

IDR reporting is always subject to inaccuracy - some expressions of dissatisfaction may be resolved at an initial customer interface, whilst others may be resolved only if and when escalated to a specialist complaints team with those disputes resolved outside the specialist team possibly not being recorded.

If mandatory reporting of IDR to ASIC is introduced, those organisations with a strong commitment to compliance and strong accountability disciplines will capture all expressions of dissatisfaction, as part of the firm’s ongoing commitment to continuous improvement in quality service provision.

There is an attendant risk that such organisations will be commercially and reputationally disadvantaged by reporting a higher volume of disputes when compared to other reporting organisations which operate with poor systems, poor recording and no commitment to improving service delivery.

We respectfully submit, it is inevitable the reporting of IDR statistics to ASIC as proposed will result in promoting the interests of poorer operators at the expense of more conscientious and compliant competitors.

For this reason, in our view mandatory IDR reporting as presently proposed will not achieve the intended benefits and is likely to do nothing more than promote widespread non-compliance and encourage conscientious financial services providers to dismantle present control systems.

Further, published IDR statistics are unlikely to help consumers make informed decisions about who to do business with as such statistics will be influenced by the subjective reporting decisions of individual firms and may be misleading. Even where a firm intends to comply fully with their obligations, the statistics will be directly dependent upon the success of the firm in enforcing its reporting procedures.

Even if the statistics reported by financial firms were accurate, without normalisation for the scale of each firm’s operations, the statistics will be meaningless and offer no practical and useful visibility to consumers.

As noted earlier, EDR numbers are the best possible benchmark and the only reliable one, being a true reflection of the financial firm’s compliance and IDR controls. EDR numbers are the product of actual compliance outcomes, rather than a subjective internal assessment made by the businesses, influenced by the success of its reporting controls.

ASIC’s publication of IDR data for individual financial firms will act (regardless of any disclaimer attached) to lend credibility to those reported numbers, essentially endorsing them. This will inevitably mislead consumers where the self-reported statistics are inaccurate to begin with.

Of further concern is that post the recent Royal Commission, the media is likely to have an active interest in any published IDR data – such interest will further proliferate and lend credibility to any inaccurate and misleading statistics making up the published data. Inevitably, there is likely to be consumer detriment as a consequence - consumers will make poor decisions when reliant on inaccurate and misleading information.

Responses to consultation questions

We provide responses below to those consultation questions relating to financial firms and more specifically in relation to debt purchasing - we have not responded to questions relating to superannuation matters.

Definition of 'complaint' - AS/NZS 10002:2014

B1Q1 *Do you consider that complaints made through social media channels should be dealt with under IDR processes? If no, please provide reasons. Financial firms should explain:*

- (a) how you currently deal with complaints made through social media channels; and*
- (b) whether the treatment of social media complaints differs depending on whether the complainant uses your firm's own social media platform or an external platform.*

ACDBA Response:

The proposed requirement under RG 165.37 being specific to where the complaint is made on a firm's "own social media platform(s)" and by a complainant "who is both identifiable and contactable" appears reasonable to be captured under IDR processes.

Where the social media channels on which any complaints are made or referenced are owned and controlled by an ACDBA member, such complaints are presently captured and responded to through the member's IDR processes.

However, in contrast, we contend the proposed RG 165.36 is far too broad and unreasonable to be included in any IDR regime. RG 165.36 appears to require firms to identify complaints generally made on social media, other than directly to the firm's own social media platform. Such an obligation, would be impractical, onerous and commercially unreasonable in requiring a firm to monitor, identify and respond to complaints posted or referenced on all other "social media platforms".

Further, we submit that it is unlikely that consumers will have any genuine expectation that a financial firm would respond to such posts not made directly to the firm itself including on its own social media pages. Indeed, many may not welcome a response to such indirect postings, giving rise to the very real risk of a response causing further complaint against the financial firm.

For these compelling reasons, ACDBA does not support the inclusion of the proposed rule RG 165.36 as currently drafted.

Definition of 'complaint' - Additional guidance

B2Q1 *Do you consider that the guidance in draft updated RG 165 on the definition of 'complaint' will assist financial firms to accurately identify complaints?*

ACDBA Response:

Yes.

B2Q2 Is any additional guidance required about the definition of ‘complaint’? If yes, please provide:

- (a) details of any issues that require clarification; and**
- (b) any other examples of ‘what is’ or ‘what is not’ a complaint that should be included in draft updated RG 165.**

ACDBA Response:

Our concern with the drafted definition of ‘complaint’ is caught up in the very nature of first engagements with consumers by debt purchasers.

Accounts assigned to debt purchasers by original credit providers typically involve debts where an acceleration clause in the financial agreement has been triggered by the consumer’s default in making repayments. Accounts assigned to debt purchasers by telcos and utilities providers involve debts where there can be issues around hardship but also about the service or product delivery for which the accounts relate.

Consequently, a significant number of initial collections calls involve some form of expression of dissatisfaction by consumers which would fall into the broad definition of a complaint pursuant to RG 165.55.

Collectors in first conversations with consumers, regularly are confronted by a range of questions and concerns - here are just a few examples:

- *Why are you charging me interest?*
- *Why didn’t you contact me sooner?*
- *I had an agreement with the bank, not your firm!*
- *The bank had no right to assign the debt!*
- *Why am I default listed?*

With trained and empowered collections staff the majority of these questions and concerns are resolved with the individual on the spot, by providing a satisfactory explanation, further details, agreeing to hardship variations or by emailing the individual relevant documents.

Despite prompt and complete resolution of such initial expressions of dissatisfaction, under the proposed drafting of RG 165.28 each of those expressions would be a complaint and require reporting.

The unique circumstances of the assignment of a debt (which many consumers may never previously have encountered) often gives rise to an initial response of suspicion and dissatisfaction being expressed by the consumer.

ACDBA Recommendation 1

An exemption in the definition of a ‘complaint’ should be allowed for debt purchasers in situations where an expression of dissatisfaction made in a first collections contact is immediately resolved to the satisfaction of the consumer evidenced by the consumer acknowledging the enquiry or dissatisfaction has been fully resolved by the explanation and/or additional information provided by the financial firm.

Definition of 'small business'

B3Q1 Do you support the proposed modification to the small business definition in the Corporations Act, which applies for IDR purposes only? If not, you should provide evidence to show that this modification would have a materially negative impact.

ACDBA Response:

Harmonisation of the 'small business definition' is supported so as to remove issues of ambiguity.

Recording all complaints received

B4Q1 Do you agree that firms should record all complaints that they receive? If not, please provide reasons.

ACDBA Response:

Further to our response to B2Q2, we submit given the very broad definition of 'complaint' under RG 165.55, the proposed rule RG 165.57 requiring all complaints to be recorded regardless of the exemption on providing a IDR response to the complainant for certain complaints resolved in less than 5 business days and specifically the requirement to record those expressions of dissatisfaction resolved immediately will impose an onerous, impractical and costly obligation upon debt purchasers for no useful purpose given the status of the accounts they manage.

In FY2018, ACDBA members made 109 million contacts with consumers and/or their representatives – this included 49.4 million telephone contacts. Given that many consumers will express some form of dissatisfaction, the significant majority of which are immediately resolved to the consumer's complete satisfaction, this may result in millions of interactions which RG 165.57 would unnecessarily require debt purchasers to collectively report to ASIC each year.

ACDBA contends that requiring this sort of reporting would lead to compliant financial service providers each reporting a large volume of 'disputes' a month and thereby causing dilution of what are the 'real' complaints, clouding visibility and rendering the combined overall statistics meaningless – this outcome would be further compounded by the subjective filtering by firms as mentioned earlier.

If the exemption to the definition of a 'complaint' for debt purchasers as proposed at ACDBA Recommendation 1 in our response to B2Q2 is not provided, the potential consequence given the unique nature of the accounts handled by debt purchasers is that despite the resolution of expressions of dissatisfaction during first contact collections calls, a significant proportion of accounts handled by a debt purchaser are likely to be required to be recorded and reported as complaints.

Capturing resolved first collections call expressions of dissatisfaction as complaints would be misleading and unhelpful as the transactions are for conflicted accounts involving the concept of assignment and the need for privacy identification, both of which can be unsettling for consumers due to the unexpected contact and concerns about collections rather than there being any issues with the actual accounts once the circumstances and basis for contact are established to the acknowledged satisfaction of the consumers.

ACDBA Recommendation 2

An exemption for the recording and reporting of a 'complaint' should be allowed in situations where an expression of dissatisfaction is immediately resolved during the contact to the satisfaction of the consumer evidenced by the consumer acknowledging the enquiry or dissatisfaction has been fully resolved by the explanation and/or additional information provided by the financial firm.

Recording a unique identifier and prescribed data set for all complaints received

B5Q1 Do you agree that financial firms should assign a unique identifier, which cannot be reused, to each complaint received? If no, please provide reasons.

ACDBA Response:

Yes.

B5Q2 Do you consider that the data set proposed in the data dictionary is appropriate? In particular:

- (a) Do the data elements for ‘products and services line, category and type’ cover all the products and services that your financial firm offers?**
- (b) Do the proposed codes for ‘complaint issue’ and ‘financial compensation’ provide adequate detail?**

ACDBA Response:

The proposed RG 165.61 imposes an absolute obligation upon financial firms to record the 26 data elements set out in Table 2 for each complaint received, whilst RG 165.62 with reference to Table 2 details what must be reported to ASIC requiring a total of 37 data variables as set out in the Internal Dispute Resolution Data Dictionary – May 2019.

We believe that the requirement to report each of these data variables for all expressions of dissatisfaction, even where it is immediately resolved to a consumer’s complete satisfaction, poses significant operational challenges.

We are concerned consumers may be unwilling to provide information in relation to some of the proposed variables (for example gender, age and Aboriginal or Torres Strait Islander descent) and requesting such information solely for the purpose of reporting to ASIC may have the unintended consequence of escalating the complaint against the financial firm.

Some but not all data variables allow a response to be reported as “not stated/unknown”. The data variable for complainant age assumes the financial firm will know the consumer’s age as there is no available response option as “not stated/unknown”.

What repercussions will financial firms face if not meeting RG165.61 because the firm does not hold the requisite information from the consumer required to fully populate all data elements - will “not stated/unknown” in a data element satisfy the recording obligation?

Additionally, while many of the data variables can potentially be system controlled and populated, of concern is that some will require bespoke operator input.

The ‘bespoke’ aspect is problematic as it will demand financial firms, which can have hundreds or even thousands of operational personnel, to ensure that each and every individual operator is able to complete such ‘bespoke’ variables to a consistent standard or potentially expressions of dissatisfaction which are currently relatively easily handled to the customer’s satisfaction on the operational floor will need to be sent for handling and resolution by a dedicated complaints team.

The latter solution is counterproductive to what have been very significant improvements achieved in IDR processes by financial firms generally - having provided extensive training of operational staff to deal with and respond to expressions of dissatisfaction, including empowering such front line operational staff by giving them sufficient authority to be able to respond to these matters in the first instance to the complete satisfaction of the consumer.

In particular the requirement to record and also report to ASIC all complaints including those matters resolved in less than 5 business days will erode the current efficiencies. The erosion being manifested by potentially disempowering the frontline staff of financial firms, reducing the prompt resolution of expressions of dissatisfaction and leading to more consumers being required to interact with dedicated dispute resolution teams. Consequently, this erosion is likely to lead to suboptimal customer experiences and be counterproductive to achieving the objectives of good complaints management and be unlikely to lead to efficient dispute outcomes.

IDR data reporting

B6Q1 Do you agree with our proposed requirements for IDR data reporting? In particular:

- (a) Are the proposed data variables set out in the draft IDR data dictionary appropriate?**
- (b) Is the proposed maximum size of 25 MB for the CSV files adequate?**
- (c) When the status of an open complaint has not changed over multiple reporting periods, should the complaint be reported to ASIC for the periods when there has been no change in status?**

ACDBA Response:

In relation to the proposed data variables see response to B5Q2 above.

Whether an open complaint which has not changed over multiple reporting periods should be reported to ASIC for periods where there has been no change in status, comes down to whether ASIC can ensure the same matter is not counted more than once in terms of the overall number of IDR complaints in relation to the financial firm. If that assurance is provided, then including the open complaint details again would not be onerous.

Guiding principles for the publication of IDR data

B7Q1 What principles should guide ASIC's approach to the publication of IDR data at both aggregate and firm level?

ACDBA Response:

ACDBA will welcome the opportunity to participate in the proposed future consultation on this issue and flags up the following as minimum appropriate principles for publication of IDR data:

- Ensuring all published data is expressed relevant to scale:
 - Published data at firm level should be clearly contrasted to the scale of the financial firm's operations for example comparing to the total revenue, total number of accounts under management or the total number of contacts made.
 - Published aggregate data should have total IDR complaints similarly referenced to such information as the total revenue, total number of accounts under management or the total number of contacts made by the particular segment of the financial services industry.
- Ensuring IDR data both at aggregate and firm level are also contrasted to the applicable aggregate or firm level EDR data so as to provide rational perspective and clarity for stakeholders including the media when reviewing the results.

- Ensuring consistency in the quality of IDR data provided across the particular segment of the financial services industry so as to ensure those who are compliant do not suffer financially or reputationally due to less compliant reporting financial firms not meeting the standards for RG165.

Further to our introductory comments at page 4, even if the complaint statistics reported by financial firms are accurate, without normalisation for the scale of each firm's operations, such statistics will be meaningless and offer no practical utility for consumers.

ACDBA Recommendation 3

ASIC should determine and communicate a method by which it will ensure that all published IDR data (both collectively and at financial firm level) are scaled so as to provide meaningful and relevant statistics.

IDR responses - Minimum content requirements

B8Q1 Do you agree with our minimum content requirements for IDR responses? If not, why not?

ACDBA Response:

Yes.

IDR responses - Superannuation trustees

B9Q1 Do you agree with our proposed approach not to issue a separate legislative instrument about the provision of written reasons for complaint decisions made by superannuation trustees? If not, please provide reasons.

ACDBA Response:

No response

B10Q1 Do you consider there is a need for any additional minimum content requirements for IDR responses provided by superannuation trustees? If yes, please explain why you consider additional requirements are necessary.

ACDBA Response:

No response

Reduced maximum IDR timeframes

B11Q1 Do you agree with our proposals to reduce the maximum IDR timeframes? If not, please provide:

- (a) reasons and any proposals for alternative maximum IDR timeframes; and**
- (b) if you are a financial firm, data about your firm's current complaint resolution timeframes by product line.**

ACDBA Response:

ACDBA does not support the proposal to reduce maximum IDR timeframes.

We note RG 165.78 will reduce the timeframe for firms to respond from 45 days to 30 days for standard complaints, but RG 165.118 will only allow the issue of delay notifications in exceptional circumstances.

It can often be difficult for debt purchasers to respond to complaints within the current prescribed 45 days' timeframe – member data suggests that approximately 35% of IDR complaint resolutions exceed 30 days.

Uniquely, for complaints made to debt purchasers, documents mostly need to be requested from another party (usually the original credit provider) rather than being readily accessible for the firm. Requests often relate to documents which are many years old and have long been archived by the original credit provider in offsite storage facilities. In some instances, the situation can be further delayed if there are secondary assignments which require dealings through an additional party.

Debt purchasers often experience complainants who in attempting to avoid liability for their account make extensive demands for copies of every conceivable document in relation to the overall account – this is already a considerable burden which will only increase if the response time frame is reduced to 30 days given debt purchasers must seek and rely upon such documents being obtained from another party.

For these reasons, we submit the proposed time limit of 30 days for resolution of IDR complaints will be unworkable and impractical for complaints raised with debt purchasers.

ACDBA Recommendation 4

We recommend in respect to the proposed time limit of 30 days for resolution of IDR complaints that a longer response period be allowed for complaints relating to more than one party (e.g. debt purchaser and original credit provider), or if involving a complex issue, or where the complained about conduct (such as involving a lending decision) occurred more than 2 years previous to the complaint.

Additionally, in respect to proposed RG 165.87 and RG 165.88 determining a consumer is satisfied with the resolution of a complaint so it can be closed can be problematic in circumstances where the financial firm receives no response from the consumer (or representative) to their communications.

In such circumstances, we submit it is reasonable a complaint be closed when the financial firm believes it has been fully resolved to the satisfaction of the complainant after allowing 14 calendar days for a response to any communication to the complainant requesting confirmation of such complaint resolution.

B11Q2 We consider that there is merit in moving towards a single IDR maximum timeframe for all complaints (other than the exceptions noted at B11(b) above). Is there any evidence for not setting a 30-day maximum IDR timeframe for all complaints now?

ACDBA Response:

See response to B11Q1 above.

Role of customer advocates

B12Q1 Do you agree with our approach to the treatment of customer advocates under RG 165? If not, please provide reasons and any alternative proposals, including evidence of how customer advocates improve consumer outcomes at IDR.

ACDBA Response:

Yes.

B12Q2 Please consider the customer advocate model set out in paragraph 100. Is this model likely to improve consumer outcomes? Please provide evidence to support your position.

ACDBA Response:

No response.

Systemic issues

B13Q1 Do you consider that our proposals for strengthening the accountability framework and the identification, escalation and reporting of systemic issues by financial firms are appropriate? If not, why not? Please provide reasons.

ACDBA Response:

Yes.

IDR Standards

B14Q1 Do you agree with our approach to the application of AS/NZS 10002:2014 in draft updated RG 165? If not, why not? Please provide reasons.

ACDBA Response:

Yes.

Transitional arrangements for the new IDR requirements

B15Q1 Do the transition periods in Table 2 provide appropriate time for financial firms to prepare their internal processes, staff and systems for the IDR reforms? If not, why not? Please provide specific detail in your response, including your proposals for alternative implementation periods.

ACDBA Response:

Yes.

B15Q2 Should any further transitional periods be provided for other requirements in draft updated RG 165? If yes, please provide reasons.

ACDBA Response:

We are unaware of any other requirements for transitional periods.

Contact

For any enquiry in relation to this Submission, please contact:

Mr Alan Harries
CEO
Australian Collectors & Debt Buyers Association
PO Box 295
WARATAH NSW 2298

Telephone: 02 4925 2099

Email: [REDACTED]

Appendix 1 - Members of Australian Collectors & Debt Buyers Association

- Axess Australia Pty Ltd
- Baycorp (Aust) Pty Ltd
- CCC Financial Solutions Pty Ltd
- CFMG Pty Ltd
- Charter Mercantile Pty Ltd
- Collection House Limited (ASX: CLH)
- Complete Credit Solutions Pty Ltd
- Credit Collection Services Group Pty Ltd
- Credit Corp Group Limited (ASX: CCP)
- Credit Four Pty Ltd
- Credit Solutions Pty Ltd
- illion Australia Pty Ltd
- PF Australia Pty Ltd
- Prushka Fast Debt Recovery Pty Ltd
- Shield Mercantile Pty Ltd

Appendix 2 - Debt Purchasing explained

Debt sale contracts exhibit the features of outsourced service provision rather than asset divestment - the contracts contain substantial ongoing conduct obligations and restrictions imposed on the purchaser, which are supported by warranties, indemnities and other potential penalties. The conduct obligations deal with matters such as ongoing compliance with laws, codes, guidelines, data security, principles of fairness and policy directives of the seller.

These contractual requirements are supported by ongoing reporting obligations for matters including breaches, complaints and the identification of customers in sensitive circumstances. There are provisions for extensive auditing, on-site visits and regular review meetings to share emerging issues. Sellers retain substantial discretion to recall individual customer accounts at any time.

The contractual elements create an outsourcing relationship granting the seller substantial control over the ongoing conduct of the purchaser and the experience of individual consumers.

It is appropriate to note ASIC as the regulator for the financial services industry provides guidance in respect to conduct relating to a debt¹:

A creditor may also remain liable for conduct regarding a debt despite having sold or assigned the debt. Liability will generally remain for misconduct occurring before the sale or assignment of the debt.

Accounts assigned to debt purchasers by original credit providers typically involve debts where an acceleration clause in the financial agreement has been triggered by the consumer's default in making repayments. Once a debt has been accelerated, the amount owing is immediately due and payable.

Many, if not most consumers with accelerated debts are likely to be in hardship giving rise to complex, contested and unresolved issues.

Debt purchasers are specialists in dealing with and managing hardship as they almost exclusively interact with customers in some form of financial difficulty.

Debt purchasers do not establish separate hardship teams and do not need to implement protocols and systems to identify hardship. Rather, they proceed on the basis that every customer is in hardship. This means that every customer receives an empathetic and understanding experience designed to reach mutual agreement on a sustainable repayment arrangement.

The debt purchase business model includes two key features being:

- a. The model is uniquely suited to the promotion of affordable and flexible long-term payment arrangements which most effectively respond to individual customer circumstances
- b. Debt purchasing involves the assignment of permanent tenure to defaulted loans at prices which represent a substantial discount to the face value outstanding

The benefit of these two features is allowing debt purchasers to agree to longer-term payment arrangements with lower and more affordable repayments for the customer in hardship and to take a patient approach to understanding and accommodating individual customer circumstances.

Each year ACDBA members participate in a data survey to provide industry wide demographics. Reviewing the data survey for FY2018 reveals there were 2.74 million accounts with a total face value of \$13.0 billion under collection that had been purchased from originating credit providers.

¹ Equifax Default Information Guide version 23.0 - February 2019

These aggregated figures reveal across ACDBA members a low average value per account of only \$4,758.

Members handle a range of debt values in their portfolios from lesser amounts in respect to telecommunication debts through to larger amounts for higher value credit card and other banking product debts.

ACDBA members in FY2018, reported collecting \$2.0 billion of defaulted consumer credit obligations restructured into sustainable repayment arrangements and waiving at least \$18.2 million owed by vulnerable customers in financial hardship.



AUSTRALIAN COLLECTORS &
DEBT BUYERS ASSOCIATION

14 October 2019

Mr Roger Samuel
Policy Adviser
Australian Securities and Investments Commission
By email: Roger.Samuel@asic.gov.au

Dear Sir,

***ASIC Consultation Paper 311 Internal Dispute Resolution:
Update to RG165 – Data Requirements***

Thank you for your email advice dated 11 October 2019, providing a status update in relation to RG165.

We note and support ASIC's decision to temporarily carve out certain proposed data requirements from the next guidance to be issued in December 2019.

Further to Recommendation 1 made in ACDBA's Submission to CP 311 lodged 8 August 2019, we respectfully submit:

An exemption in the definition of a 'complaint' should be allowed for debt purchasers in situations where an expression of dissatisfaction made in a first collections contact is immediately resolved to the satisfaction of the consumer evidenced by the consumer acknowledging the enquiry or dissatisfaction has been fully resolved by the explanation and/or additional information provided by the financial firm.

As our representatives explained during the recent ASIC Stakeholders consultation session in relation to the proposed update to RG165, without such an exemption, the capturing and reporting of resolved first collections call expressions of dissatisfaction as complaints would be misleading and unhelpful as the transactions are for conflicted accounts involving the concept of assignment and the need for privacy identification, both of which can be unsettling for consumers due to the unexpected contact and concerns about collections rather than there being any issues with the actual accounts once the circumstances and basis for contact are established to the acknowledged satisfaction of the consumers.

ACDBA member data for FY2018 revealed some 49 million telephone contacts were made by industry and given between 25% - 50% of calls involve at least some element of dissatisfaction, which would meet the technical definition of complaint, reporting as proposed in CP311 would see debt buyers needing to report significant numbers of expressions of dissatisfaction.

Including as complaints, the expressions of dissatisfaction fully resolved during the first contact to the satisfaction of the consumer, would unreasonably skew the overall complaints data and give rise to misleading commentary around such high volume of reported "complaints".

Acknowledging the data reporting matters temporarily carved out from the proposed guidance to be issued in December 2019 address on an interim basis, some concerns raised in our Submission, we reiterate the granting of the exemption detailed in ACDBA Recommendation 1 will provide certainty and clarity in reporting complaints from this sector and support appropriate, reasonable and considered review of the data reported.

For any additional information on matters raised by ACDBA above or in our Submission to CP3111 please contact the writer.

Yours faithfully

AUSTRALIAN COLLECTORS & DEBT BUYERS ASSOCIATION

A handwritten signature in black ink, appearing to be 'Alan Harries', written over a circular stamp or logo.

Alan Harries

CEO

P: 02 4925 2099

E: [REDACTED]