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9 August 2019

Australian Securities and Investments Commission
GPO Box 9827 Melbourne VIC 3001

By email: IDRSubmissions@asic.gov.au

Attention: Jacqueline Rush, Senior Policy Adviser

Dear Ms Rush,

Consultation Paper 311

Internal dispute resolution: Update to RG165

We refer to consultation paper released on 15 May 2019 and thank you for the opportunity to provide our comments on the proposed update to Regulatory Guide (RG) 165 on Internal Dispute Resolution.

Citigroup Pty Ltd (Citigroup) agrees with most of the proposed updates. Our comments on the some of the proposed changes are set out below.

Proposal B2 – Definition of ‘complaint’—Additional guidance

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.***

Citigroup agrees that guidance in updated RG165 on the definition of “complaint” will assist firms in accurately identifying complaints and appropriately recording them. In particular, Citigroup would like to see guidance relating to “what is” or “what is not” a complaint included in the updated RG165.

One area Citigroup would like guidance on is whether a situation where a customer expresses dissatisfaction over a negative customer service experience and the matter is resolved promptly with an apology is considered to be a complaint.

As part of considering if the above scenario is a complaint, Citigroup encourages ASIC to consider the data capture elements associated with a “complaint” and

whether there should be a materiality assessment applied to different types of customer dissatisfactions when determining “what is” or “what is not” a complaint that needs to be recorded.

Proposal B6 – 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?

Citigroup agrees with most of the proposed data variables identified in the data dictionary.

However, Citigroup would like to express concerns relating to the collection of demographic data – particularly:

- complainant gender;
- complainant age;
- Aboriginal or Torres Strait Islander descent;
- Complainant geographic state

Citigroup is concerned that this demographic information is not necessary for the purpose of resolving the customer’s complaint and, in line with our obligations under the Privacy Act, financial institutions should not, therefore be collecting this information. Further, the collection of some of this information could expose organisations to potential discrimination allegations.

As not all complainants are customers of the financial institution, the complainants may not be comfortable disclosing information that is not relevant for the management of complaints. Moreover, collection of this information imposes an additional burden on the complainant and may deter the complainant from proceeding with the complaint.

(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?

Citigroup does not have a view regarding the reporting of open complaints that have not changed over multiple periods. Citigroup would like more clarity regarding the reporting parameters – for example, will the reporting capture all complaints created and re-opened during the period or will it be all complaints open at the end of the period?

B7 - Guiding principles for the publication of IDR data

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

Citigroup considers that at a firm level, the IDR data should be reported in aggregate rather than presented as individual complaints. The complaint data should be grouped into relevant categories to enable effective comparison between reporting

entities. An appropriate measure should be applied to total volumes of complaints to give a sense of relativity to size of the organisation. For example, reporting on the volume of complaints per 1000 active accounts would be a useful measure from a comparative perspective.

B11 - Reduced maximum IDR timeframe

B11Q1 Do you agree with our proposals to reduce the maximum IDR timeframes?

Citigroup agrees with the proposal to reduce the maximum IDR timeframe.

However, Citigroup requests for consistency and alignment of IDR response timeframes. It is noted that the Banking Code of Practice has a different IDR timeframe.

B12 - 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.

B12. We propose to require customer advocates to comply with RG 165 (including meeting the maximum IDR timeframes and minimum content requirements for IDR responses) if they:

- (a) act as an escalation point for unresolved consumer complaints; or***
(b) have a formal role in making decisions on individual complaints.

- (a) For complaints which have already been through IDR (that is, a decision has been made on a complaint per RG165), then this proposal is not supported for the following reasons:
- The Customer Advocate's scope should be beyond IDR;
 - It is a role independent of the business and it uses the insights identified from investigating escalations of IDR decisions to make improvements and to identify root cause issues within both the IDR process and the business;
 - It is unworkable and counterproductive for the Customer Advocate's work to be included in the proposed 30 day IDR timeframe –the work of the Customer Advocate involves the detailed review of escalations that often, because of complexity and vulnerability, requires more time to come to a fair resolution.

For complaints which have not been through IDR this proposition is supported.

- (b) This proposal is not supported. The role of the Customer Advocate in reviewing an IDR decision is not part of the IDR process. If this line of logic is to be pursued, all requests for a review of an IDR decision to any part of the organisation (including the CEO and the Board) would become subject to such timelines and would significantly restrict the preferences of customers

and the bank's endeavours to resolve complaints.

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.

Para 100: In some models, the customer advocate reviews individual complaints that have not been resolved to the consumer's satisfaction by the financial firm's specialist complaints team. Some firms that operate these models consider that the work of the customer advocate is separate to the firm's IDR process and, therefore, does not need to comply with RG 165.

The Customer Advocate model has demonstrated improved customer outcomes. Approximately 70% of Customer Advocate reviews have resulted in a different outcome for the customer through an alternative or new solution being identified. Any improvements feed directly into internal customer improvement programs and are tracked to completion.

Para 101. We are concerned these models may not be complying with RG 165 (including the maximum IDR timeframes and minimum content requirements for IDR responses) and that they can delay access by consumers to independent review by AFCA. We are particularly concerned that consumers may be confused, or even misled, about when they can take their complaint to AFCA from IDR (e.g. they believe that the customer advocate reviewing their complaint is a compulsory step in the process).

IDR is managed as per RG165. Referral to the Customer Advocate is a customer-led and customer-responding initiative. There is no ambiguity regarding the next steps for customers following an IDR complaint – they have options to have this reviewed by either the Customer Advocate or AFCA. This is clearly outlined in IDR correspondence.

Para 102 Our consumer research highlighted the impact that the length of time taken to resolve complaints has on consumer satisfaction: see REP 603 at pp. 61–62. Complaint fatigue may lead to the withdrawal of complaints even where the consumer remains unsatisfied with the firm's response.

The Customer Advocate function in our view lessens any element of fatigue by providing a point of escalation that is immediately available to the customer.

Para 103 We are seeking views on the customer advocate model described in paragraph 100. In our view, it is very difficult for consumers to make an informed decision about the relative benefits of proceeding to further internal review under a customer advocate model, as opposed to taking their complaint directly to AFCA.

There will remain customers who wish for a further review of their complaint decision to be made by the financial institution. It would be unhelpful to be unable to deal with customers who are wishing to express dissatisfaction with the IDR process or the IDR decision unless the customer escalates to AFCA. We believe many complaints

will remain unresolved because not all customers will be inclined to escalate, or will be capable of escalating their complaint externally, especially vulnerable customers.

Collectively, the banks are willing to work together in relation to the Customer Advocate function to continue to improve on the model as well as the implementation of the recommendations of the Deloitte Customer Advocates Post-Implementation Review. This could include:

- reviewing IDR decision letters so that there is common language to ensure that the escalation path to AFCA is clear and transparent and that the Customer Advocate options, to the extent offered, are explained in a consistent manner;
- reviewing all external communications to ensure brochures and websites outline the EDR option for customers in an unambiguous manner; and
- Customer Advocates adopt the existing IDR final letter standards so that a comprehensive response is provided once the review of an escalated IDR decision is complete.

If you have any comments or questions, please do not hesitate to contact Larissa Shafir on [REDACTED].

Yours sincerely,

A handwritten signature in black ink, appearing to read 'LShafir', written in a cursive style.

Larissa Shafir
Head of Consumer Compliance