



ASIC

Australian Securities &
Investments Commission

REGULATION IMPACT STATEMENT

Maximum timeframes for internal dispute resolution

July 2020

About this Regulation Impact Statement

This Regulation Impact Statement (RIS) addresses ASIC's proposals to modify the maximum timeframes for financial firms to provide a response as part of their internal dispute resolution (IDR) processes, set out in draft updated Regulatory Guide 165 *Internal dispute resolution* (draft RG 165). Draft RG 165 was subject to consultation in [Consultation Paper 311](#) *Internal dispute resolution: Update to RG 165* (CP 311).

What this Regulation Impact Statement is about

- 1 This Regulation Impact Statement (RIS) addresses ASIC's proposals to modify the maximum timeframes for financial firms to provide a response as part of their internal dispute resolution (IDR) processes, set out in draft updated Regulatory Guide 165 *Internal dispute resolution* (draft RG 165).
- 2 In developing our final position, we have considered the regulatory and financial impact of our proposals. We are aiming to strike an appropriate balance between:
 - ensuring that complainants receive a final response in a timely manner;
 - setting standards that are practical and achievable for financial firms; and
 - administering the law effectively and with minimal procedural requirements.
- 3 This RIS sets out our assessment of the regulatory and financial impacts of our proposed policy and our achievement of this balance. It deals with:
 - the likely compliance costs;
 - the likely effect on competition; and
 - other impacts, costs and benefits.

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A Introduction

Background

4 ASIC is responsible for overseeing the operation of Australia's financial services dispute resolution framework, which includes:

- (a) the IDR systems of financial firms; and
- (b) the Australian Financial Complaints Authority (AFCA).

5 Together, the internal and external dispute resolution (EDR) systems are a key consumer protection mechanism that ensure consumer and small business complaints are resolved in a fair and timely manner.

6 RG 165 applies to most financial firms with retail clients (including Australian financial service (AFS) licensees, Australian credit licensees (credit licensees) and superannuation funds) and covers complaints made by both consumers and small businesses. There are an estimated 10,500 firms that are required to have and comply with ASIC's IDR standards and requirements.

Note: See s912A(1)(g) and 1017G(1) of the *Corporations Act 2001* (Corporations Act), s47(1)(h) and (i) of the *National Consumer Credit Protection Act 2009*, s101(1) and (1A) of the *Superannuation Industry (Supervision) Act 1993*, and s47(10) and (2) of the *Retirement Savings Account Act 1997*. ASIC's power to set standards and requirements for IDR processes is in reg 7.6.02 of the *Corporations Regulations 2001*.

7 Since 1999, we have set standards and requirements for IDR in [Regulatory Guide 165](#) *Licensing: Internal and external dispute resolution* (RG 165). This was badged as Policy Statement 165 *Licensing: Internal dispute resolution* until July 2007, and was previously part of Policy Statement 139 *Approval of external complaints resolution schemes*.

8 In the past 20 years, the scale and breadth of the financial system has changed significantly, as has consumer involvement and technology. Despite the changing financial services regulatory environment, and major changes to EDR schemes, many of the requirements have remained largely unchanged over this period (beyond necessary changes to reflect legislative amendments).

9 The purpose of this RIS is to measure the regulatory impacts of the changes that we are making to the mandatory IDR timeframes.

10 In draft RG 165 attached to CP 311, we reduced the maximum IDR timeframes:

- (a) from 90 calendar days to 45 calendar days for superannuation related complaints (including about life insurance issued through superannuation and death benefits) and traditional trustee complaints; and

- (b) from 45 calendar days to 30 calendar days for (almost all) other financial services and credit complaints.

Note: There are some legislatively prescribed IDR timeframes that are left unchanged, including complaints involving credit default notices and credit complaints involving hardship notices or requests to postpone enforcement proceedings.

Assessing the problem

- 11 Consumer and small business access to fair, timely and effective dispute resolution is a central part of the financial services consumer protection framework. This includes both IDR and EDR (through AFCA). Consumer trust is eroded where complaints are not identified and acted on by financial firms. There is a link between poor performance at IDR and downstream remediation costs. It is in the interest of firms, regulators and consumers for IDR standards across the financial services sector to consistently improve.
- 12 As well as implementing changes as a result of Government policy, we are also taking the opportunity to renew and, where necessary, update the IDR standards and requirements that we set (under reg 7.6.02 of the Corporations Regulations 2001). Our experience administering RG 165 over the last 20 years has provided evidence of significant improvements that could be made to the IDR requirements.
- 13 Recent sources of such evidence include:
 - (a) our research into consumer experiences of the IDR process (see [Report 603](#) *The consumer journey through the Internal Dispute Resolution process of financial services providers* (REP 603));
 - (b) our surveillances and investigations;
 - (c) the findings from our on-site visits to the ‘big four’ banks and AMP Limited, as part of our close and continuous monitoring program (carried out over a 12-month period from November 2018). These on-site visits focused on the firms’ IDR processes, and have given ASIC deep insights into the systems, resourcing and performance of IDR functions at these entities;
 - (d) the case studies and findings from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission), particularly those on how financial firms failed to effectively respond to consumer and small business complaints. These case studies also showed the links between poor complaints handling and downstream remediation costs;
 - (e) our consultation on the proposed changes in [CP 311](#). We received 68 submissions, 9 supplementary submissions and held 5 roundtables with representatives from over 70 organisations.

Royal Commission and consumer remediation programs

- 14 The Royal Commission identified serious deficiencies in the treatment of consumers by financial firms. Much of the misconduct involved a serious failure to address concerns that consumers had brought to the firm's attention. There were also many examples where firms had failed to realise that the issues raised by individual complainants were applicable to a much larger group of consumers. That is, that they were 'systemic issues'.
- 15 Our experience monitoring remediation programs for financial advice (fees-for-no-service conduct), consumer credit insurance and add-on insurance has, to date, seen compensation of more than \$930 million paid or offered to consumers. This experience demonstrates that conduct risks that were once thought to be 'non-financial' in nature have now become serious financial risks. Individual consumer complaints can be an important early warning about broader conduct or system failings that may affect a large cohort of consumers. For example, if a firm promptly resolves and identifies a complaint about a system miscalculation, they can more quickly identify and resolve the underlying system fault before it affects a broader group of customers. Dealing with consumer complaints promptly and effectively when they are first made clearly benefits firms as well as consumers.

Consumer research on the IDR process

- 16 In 2018, we commissioned independent research into the consumer experience of the IDR processes of financial firms: see [REP 603](#). This research found that:
- (a) while 17% of Australians considered making a complaint to a financial firm in the preceding 12 months, only 8% went on to lodge a complaint. Many non-lodgers reporting that they did not think it would make a difference or it was not worth their time;
 - (b) 18% of complainants dropped out or withdrew their complaint before it was concluded;
 - (c) the length of time taken by a financial firm to conclude a complaint significantly affected consumer satisfaction;
 - (d) one in seven complainants found it difficult to find the financial firm's details to make a complaint;
 - (e) almost a quarter of complainants did not have the IDR process explained well at first contact, and 27% were unsure how long they would have to wait for a decision; and
 - (f) only 45% of complainants who received an unfavourable outcome received an explanation from the financial firm of the decision made against them.

- 17 REP 603 also showed that 38% of people who considered making a complaint but did not follow through decided not to make a complaint because they did not think it was worth their time. A further 22% did not complain because they did not have enough time.
- 18 These findings suggest that delays in IDR can lead to complaints being withdrawn prematurely by consumers, or never made at all. In the short term, the consumer harm that arises from these unresolved issues is borne by the consumer and is not necessarily reflected in the underlying profit of the financial firm. However, in the long term, the underlying problem is hidden but does not go away. In these cases, the consumer bears the cost of the loss but the firm also loses the opportunity to resolve the dispute and identify potentially latent risks within its business.
- 19 Our quantitative consumer research suggested that the length of time taken to resolve the complaint negatively affects a complainant's view of the financial firm and increases the perceived stress and effort of the complaints process: see [REP 603](#) at p. 49. The research also showed a significant negative correlation between net satisfaction and the number of days taken to resolve a complaint. Complainants whose complaints were resolved quickly were much less likely to say that the complaint had negatively affected their opinion of the financial firm.

Enhanced supervision—IDR on-site visits

- 20 Between November 2018 and November 2019, we visited and reviewed the IDR processes at:
- (a) AMP Limited;
 - (b) Australian and New Zealand Banking Group;
 - (c) Commonwealth Bank of Australia;
 - (d) National Australia Bank; and
 - (e) Westpac Banking Corporation.
- 21 These IDR on-site visits were conducted under ASIC's enhanced supervisory approach.
- 22 We examined a wide breadth of issues during the IDR on-site visits. IDR performance varied both among the entities and within the entities themselves. Poor results against one or some measures do not necessarily reflect the overall quality of a firm's IDR procedures. We found examples of:
- (a) high volumes of complaints being handled at the frontline without adequate quality assurance, monitoring and oversight;

- (b) issues with the management and cultural approach to complaints within particular bank subsidiaries;
- (c) issues with the quality of final response letters;
- (d) delays in resolving complaints across a range of different teams, product categories and complaint types. This included unacceptable delays in financial hardship teams (likely because of the practice of going back to the business unit staff about proposed resolutions);
- (e) specialist complaints staff who were limited by their financial delegations and the influence of the business units that caused the complaint;
- (f) limited focus on systemic issues across banking groups, sometimes further impeded by information technology (IT) systems that do not allow staff to effectively flag and follow up systemic complaints;
- (g) limited monitoring of, or controls to ensure, compliance with the IDR requirements, including the IDR timeframes and the requirement to provide delay notification letters with AFCA details; and
- (h) multiple complaints-recording systems and significant under-reporting of complaints across banking groups.

Ramsay Review

- 23 In 2016 Professor Ian Ramsay conducted the *Review of the financial system external dispute resolution and complaints framework* ([Ramsay Review](#)). This involved a consultation process that received 129 submissions from individuals, financial services firms, industry associations, consumer groups and government bodies. The final report made a number of recommendations, all of which have since been accepted by the Australian Government. The Ramsay Review was certified by the Treasury as meeting the standards of an Australian Government Regulation Impact Statement (RIS), and the Treasury calculated the average regulatory costs to be \$43.9 million

Note: See '[New financial sector dispute resolution and complaints framework](#)' on Department of Prime Minister and Cabinet website.

- 24 The Ramsay Review found that:
- Data on IDR outcomes is limited and inconsistent which means that it is difficult to determine the effectiveness of IDR and whether it is leading to improved consumer outcomes over time.

Note: See Ramsay Review at p. 187.

- 25 Further, inconsistent and inadequate IDR data has hampered the ability of firms to monitor their own complaints and to benchmark against other members of the industry. The Australian Government supported Ramsay's finding through amendments requiring financial firms to report IDR data to ASIC.

Why Government action is needed

26 The issues identified in paragraphs 11–25 make clear the need for Government action in this space. Additionally, the Ramsay Review recommendations that required legislation were given effect by the *Treasury Laws Amendment (Putting Customers First—Establishment of the Australian Financial Complaints Authority) Act 2018* (AFCA Act), which has already been the subject of a RIS: see [‘New financial sector dispute resolution and complaints framework’](#) on Department of Prime Minister and Cabinet website.

27 The AFCA Act established a single EDR scheme, AFCA, to deal with all complaints about financial products and services. AFCA commenced operations on 1 November 2018. The Ramsay Review recommendations and AFCA Act reforms required substantial updates to our policy on:

- (a) EDR, which we published as [Regulatory Guide 267](#) *Oversight of the Australian Financial Complaints Authority* (RG 267); and

Note: Our EDR policy was previously published in [Regulatory Guide 139](#) *Approval and oversight of external dispute resolution schemes* (RG 139). We will withdraw RG 139 when the last complaints made to the Financial Ombudsman Service (FOS) and Credit and Investments Ombudsman (CIO) are closed.

- (b) IDR, which is the subject of the CP 311 and this RIS.

28 All financial firms that are required to have AFCA membership (except for credit representatives and exempt special purpose funding entities (exempt SPFEs)) are also subject to important IDR reforms introduced by the AFCA Act and related regulations.

Note: See reg 7.6.02(1)(a) and 7.9.77(1)(a) of the Corporations Regulations 2001 and reg 10(1)(a) and item 2.20 of Sch 2 to the National Consumer Credit Protection Regulations 2010.

29 These reforms included the requirement in s912A(1)(g)(ii) of the Corporations Act and s47(1)(ha) of the *National Consumer Credit Protection Act 2009* for AFS and credit licensees to record and report to ASIC information that ASIC specifies in a legislative instrument. This requirement gives effect to the Ramsay Review recommendation that ASIC should collect and publish data from financial firms on the performance of their IDR process to improve transparency of outcomes.

30 Previously, ASIC was required by regulation to consider the complaints handling standards set out in Australian Standard AS ISO 10002:2006 *Customer satisfaction—Guidelines for complaints handling in organizations* when setting IDR standards and requirements. As part of the AFCA Act reforms, the Minister amended this requirement so that ASIC must take into account the updated Australian Standard [AS/NZS 10002:2014](#) *Guidelines for complaint management in organizations* (AS/NZS 10002:2014).

AS/NZS 10002:2014 sets standards across the IDR process. To comply with the new AFCA Regulations, we need to reconsider all parts of our IDR requirements.

31 Further, the AFCA Act reforms created changes to the *Superannuation Industry (Supervision) Act 1993* that required ASIC to set certain IDR requirements for the superannuation industry. In March 2019, s912A of the Corporations Act was made a civil penalty provision. This increases the consequences of failing to have or comply with ASIC's IDR standards, and shows Parliament's commitment to improve IDR across the financial system. In order to provide greater certainty surrounding the requirements to comply with s912A(1)(g), we have provided clearer guidance and have confirmed the enforceable requirements through a legislative instrument issued alongside our updated IDR policy.

32 Given this context and the available evidence about current complaint resolution timeframes, we consider Government action is necessary to reduce the current maximum timeframes for internal dispute resolution.

33 The evidence available indicates the majority of consumer complaints are currently resolved within 30 calendar days. For those complaints that are not resolved within this timeframe, we consider there are a range of contributing factors—many of which are within the control of financial firms. These can include:

- (a) underlying internal system and process weaknesses that contribute to delays;
- (b) inadequate personnel resourcing;
- (c) firms anchoring their resolution of complaints to the longer maximum timeframes that have been in place for almost 20 years;
- (d) the fact that resolving consumer complaints is a 'cost centre' for firms, and there may be short-term disincentives to investing in improving complaint resolution timeframes.

34 Factors that affect timeliness that are not within the control of firms include where:

- (a) the resolution of the individual complaint is particularly complex; and/or
- (b) circumstances beyond the financial firm's control are causing complaint management delays.

35 The Ramsay Review noted there is currently no publicly available consistent and comprehensive data on IDR performance. As such, this aspect of customer service delivery is not a point of competitive differentiation. Consumers are unable to assess and compare firm IDR performance and outcomes, and so cannot factor it into their decision making. Importantly,

firms are similarly hampered—they cannot compare their performance with peers, which may create further disincentives for improving complaint resolution timeframes.

- 36 As highlighted in paragraph 18–19, the evidence shows that delays in resolving complaints can contribute to poor consumer outcomes. We consider that reducing the maximum IDR timeframes will prompt necessary action by firms to make improvements that reduce complaint handling delays where required, and thus improve consumer experiences and outcomes.

B Options and impact analysis

- 37 We have made a number of changes to our IDR policy as part of this review. These changes have been consulted on extensively in [CP 311](#) and our stakeholder roundtables. [Report 665 Response to submissions on CP 311 Internal dispute resolution: Update to RG 165](#) (REP 665) sets out the reasoning for our decisions on each of these matters.
- 38 In CP 311, we proposed that we would issue the updated IDR standards and requirements as a new version of RG 165. However, complaints that are made to financial firms before 5 October 2021 will continue to be dealt with under the existing RG 165. We therefore consider it necessary to retain the existing RG 165 in its current form until the complaints made during its application are closed.
- 39 We have therefore decided to issue the guidance consulted on in CP 311 as [Regulatory Guide 271 Internal dispute resolution](#) (RG 271).
- 40 RG 165 continues to apply to all complaints received by financial firms before 5 October 2021. After that date, RG 271 applies. We will withdraw RG 165 on 5 October 2022.
- 41 This RIS is focused specifically on the options and costs surrounding the reduced IDR timeframes set out in RG 271.
- 42 In relation to IDR timeframes we consider that the main options are:
- (a) *Option 1*—Reduce IDR timeframes to 30 calendar days for standard complaints and to 45 calendar days for superannuation trustee and traditional trustee complaints. Provide exceptions where:
 - (i) the resolution of the individual complaint is particularly complex; and/or
 - (ii) circumstances beyond the financial firm’s control are causing complaint management delays (preferred option).
 - (b) *Option 2*—Reduce IDR timeframes to 30 calendar days for standard complaints and 45 calendar days for superannuation trustee and traditional trustee complaints, with no exceptions for complaint management delays.
 - (c) *Option 3*—Leave IDR timeframes at 45 calendar days for standard complaints and 90 calendar days for superannuation trustee and traditional trustee complaints (status quo).

Option 1: Reduce IDR timeframes, with some exceptions (preferred option)

- 43 The maximum IDR timeframes for different types of complaints are set out in Table 2 of [RG 271](#). Financial firms must provide an IDR response to consumers within:
- (a) 30 calendar days of the consumer making a standard complaint; and
 - (b) 45 calendar days of the consumer making a superannuation trustee or traditional trustee complaint.
- 44 Exceptions to these timeframes will apply if there is no reasonable opportunity for the financial firm to provide an IDR response within the relevant maximum IDR timeframe because:
- (a) the resolution of the individual complaint is particularly complex; and/or
 - (b) circumstances beyond the financial firm's control are causing complaint management delays.
- Note: See RG 271.65–RG 271.68.
- 45 Based on written consultation and stakeholder roundtables, these two categories of exception capture the balance of legitimate circumstances in which a firm may require additional time to finalise a complaint.
- 46 We generally did not accept the view that entire categories of complaints are inherently complex (e.g. responsible lending or financial advice complaints) and will require a longer timeframe in which to resolve. Individual complaints that fall under these categories can vary significantly in complexity. Firms that are authorised to engage in, say, lending or financial advice activities, should have the expertise to deal with a broad range of complaints about the services they provide. However, for complaints about the distribution of a superannuation death benefit, we have maintained the requirement to provide a written IDR response within 90 calendar days.
- 47 Where the exceptions at RG 271.65–RG 271.66 apply, the financial firm must give the complainant an 'IDR delay notification' that informs the complainant about:
- (a) the reasons for the delay and their need for further time to resolve the complaint;
 - (b) their right to complain to AFCA if they are dissatisfied; and
 - (c) the contact details for AFCA.

Impact on industry

- 48 As noted in paragraphs 33, the evidence indicates there are a number of factors currently contributing to delays, many of which we consider are

within financial firms' control. For many firms, a reduced IDR timeframe will require improvements to business processes to ensure that complaints are processed quickly and smoothly without unnecessary friction. When the updated IDR timeframes can be met with business improvements alone, the change will require an upfront investment but little to no ongoing costs.

49 Some firms may also need to commit additional resources to their IDR functions on an ongoing basis, to ensure that the updated IDR timeframes are achieved. This is more likely to be the case for firms that were not meeting the existing timeframes.

50 We therefore consider that, on average, the additional costs to industry from reduced IDR timeframes will be highest in the first two to three years, while firms improve their systems.

51 Some industry code monitoring bodies have published complaints data, including data on the timeliness of their subscribers' IDR processes.

Note: See I Ramsay & M Webster, 'Enhancing the internal dispute resolution processes of financial firms for consumer complaints', *Competition and Consumer Law Journal* vol. 27(1), 2019, p. 14.

52 Table 1 sets out the timelines of various code subscribers' IDR processes.

Table 1: Timeliness of code subscribers' IDR processes

Code	Timeliness	Source
Banking Code of Practice	97% of complaints resolved within 21 days	Banking Code Compliance Monitoring Committee, Compliance with the Code of Banking Practice 2018–19: Banks' annual compliance statement results , report, November 2019, p. 42
Customer Owned Banking Code of Practice	93% of complaints resolved within 21 days	Customer Owned Banking Code Compliance Committee, Annual report 2018–19 , report, November 2018, p. 55
Insurance Brokers Code of Practice	63% of complaints resolved within 21 days	Insurance Brokers Code of Practice Code Compliance Committee, Our impact: Annual review 2018–19 (PDF 672 KB), report, October 2019, p. 56

53 In submissions to [CP 311](#), a number of financial firms and industry associations noted that most complaints could be responded to within 30 days. For instance, we were told in submissions that:

- (a) Commonwealth Bank of Australia completed 95% of complaints within 5 days;
- (b) Suncorp completed 93.4% of complaints within 30 days;
- (c) Toyota Finance Australia completes 97.76% of complaints within 30 days; and

- (d) members of the Customer Owned Banking Association completed 88% of complaints within 21 days.
- 54 Other firms have submitted to ASIC that they currently take longer to resolve complaints. For example:
- (a) the Australian Collectors and Debt Buyers Association reported that 65% of complaints are completed within 30 days;
 - (b) the Association of Financial Advisers reported that its members who were surveyed completed only 8.4% of complaints within 30 days but 89% within 45 days; and
 - (c) National Australia Bank submitted that it completes only 2.5% of its financial advice complaints within 30 days, but completes 99% of these within 45 days.
- 55 A number of submissions also argued that despite the high proportion of complaints being resolved quickly, there is a tail of complex complaints that would require more time. In response to this concern, we have provided an exception to the maximum timeframes in cases where the firm has no reasonable opportunity to respond within the IDR timeframes. Therefore, firms will only need to reduce the IDR timeframes for the tail of complaints that are not already resolved within 30 calendar days *and* are not covered by the ‘no reasonable opportunity’ exception.
- 56 Our consumer research suggests that consumers will be more satisfied with the firm’s IDR process where they receive a more timely response. We therefore expect there will be broader benefits to the reputation of financial firms arising from the reduced timeframes, including customer retention.
- 57 We have estimated that this option will have an average cost to industry of \$5.087 million per year, compared with the status quo: see Section D. The benefits to both industry and consumers of more timely complaints handling are also likely to be much higher than the status quo; however, the benefits have not been included in this RIS.

Impact on consumers

- 58 Consumers will benefit from receiving an IDR response sooner. This will reduce the period of uncertainty and allow consumers to make important financial decisions (e.g. whether to sell a major asset or escalate their complaint to AFCA).
- 59 As noted in paragraph 17, our research suggests that shorter IDR timeframes will increase the satisfaction of complainants and reduce complainant fatigue and dropout rates.

- 60 The exception provided where the firm has ‘no reasonable opportunity’ to respond permits a firm to take additional time in particular circumstances. This includes where the firm is reasonably waiting on the consumer to provide information or take certain action in order to progress the complaint. While firms should not create barriers for consumers in making complaints, it is likely to be in the mutual interest of consumers and firms to extend timeframes where the consumer themselves are unable to respond to the complaint.

Option 2: Reduce IDR timeframes with no exceptions

- 61 This option would require firms to provide an IDR response for standard complaints within 30 calendar days and for superannuation complaints within 45 calendar days. Under this option there are no circumstances under which the financial firm would be afforded more time.
- 62 This option would create a hard deadline for responding to complaints that does not account for individual complexity or variety.

Impact on industry

- 63 As noted above, a number of industry submissions described circumstances and provided examples of cases in which a financial firm would reasonably require more than the prescribed IDR timeframes to properly respond to an individual complaint. Creating a hard deadline removes this flexibility from the IDR framework.
- 64 Based on information provided during consultation, we understand that introducing a hard deadline (i.e. a timeframe without exceptions) would have significantly higher costs to industry compared with Option 1, of an estimated average \$9.3 million per year: see Section D.

Impact on consumers

- 65 This approach was broadly favoured in submissions by consumer representative organisations, who were concerned that allowing exceptions (i.e. Option 1) could result in firms exploiting the exceptions, and make the timeframes more difficult to enforce.
- 66 We consider that this option may also have the unintended consequence of unnecessarily directing complaints to AFCA that could have been resolved at IDR. Where possible, it is always preferable for complaints to be resolved quickly and informally at the IDR stage, rather than being escalated to AFCA.

Option 3: Leave IDR timeframes as they are (status quo)

67 Our experience in administering RG 165 is that the firms that invest in their IDR processes can resolve the vast majority of complaints within 5–21 days. On the other hand, we have observed that some firms choose to only respond to complainants around or after the full 45 days, even where the issues are relatively simple. Considering the evidence that consumers drop out of the complaints process because of lengthy timeframes, we do not consider it appropriate to leave the timeframe for standard complaints at 45 calendar days.

Impact on industry

68 This timeframe has not changed since the first iteration of this policy was published in 1999. Over the past 20 years there have been major improvements in technological capacity, and a reduction in reliance on postal communication. These factors support the case for reducing the time taken for firms to respond to complaints.

69 While leaving the current IDR timeframes in place may not result in a direct additional regulatory cost to industry, we consider that this would be a missed opportunity for firms to improve their IDR processes and ensure they do the right thing by their customers. Improvements in IDR can result in positive outcomes for firms, including earlier identification of latent systemic issues and enhanced consumer relations.

Impact on consumers

70 When combined with the 21-day refer back period at AFCA, retention of the 45-day timeframe means that some consumers will effectively wait at least 66 days before they can have an unresolved complaint dealt with by AFCA.

71 Timeliness is central to effective complaint management and ensuring good consumer outcomes. Our quantitative consumer research suggested that the length of time taken to resolve the complaint negatively impacts a complainant's view of the financial firm and increases the perceived stress and effort of the complaints process: see [REP 603](#) at p. 49. The research also showed a significant negative correlation between net satisfaction and the number of days taken to resolve a complaint.

72 REP 603 also showed that 38% of people who considered making a complaint but did not follow through decided not to make a complaint because they did not think it was worth their time. A further 22% did not complain because they did not have enough time. This research suggests that a key reason why consumers do not raise complaints with financial firms is a perceived lack of timeliness. Importantly, where consumers decide not to

raise valid complaints, the firms lose the opportunity to fix the relationship with that consumer and to improve their products more broadly.

73

If the current IDR timeframes were to remain in place, then persistent wait times and high dropout rates are likely to continue.

C Consultation and review

- 74 In [CP 311](#) we consulted on proposals to update our existing IDR requirements. We provided a draft updated Regulatory Guide 165 *Internal dispute resolution* (RG 165).
- 75 We received 6 confidential and 62 non-confidential responses to CP 311 from a variety of firms, industry groups and consumer bodies. We also held 5 industry roundtables with representatives from over 70 organisations. During these roundtables we offered stakeholders the opportunity to make further submissions on issues that had not previously been raised. As a result, we accepted a further nine supplementary submissions. We are grateful to respondents for taking the time to send us their comments.
- 76 A list of the non-confidential respondents and copies of their submissions are on the [CP 311 page](#) on the ASIC website.

Timeframes for superannuation complaints

- 77 In CP 311 we proposed that the timeframe for providing an IDR response to superannuation complaints should be reduced from the current 90 calendar days down to 45 calendar days.
- 78 Most respondents supported this reduction, noting that an exception may be required in complex circumstances or where the trustee needed to wait for a third party. A number of submissions noted that the 45-day timeframe aligned with the existing timeframe in the voluntary Insurance in Superannuation Code of Practice.
- 79 Some submissions supported a reduction in timeframes for superannuation complaints to 30 days. However, this was generally not supported due to the complex nature of superannuation complaints and the high likelihood that the trustee will need to negotiate with third parties (such as insurers).
- 80 Superannuation complaints are often complex, and the existing IDR timeframes were set at 90 calendar days (compared with 45 calendar days for standard complaints). Given these facts, we decided that at this stage the timeframes should be reduced to 45 calendar days, but not 30 calendar days.
- 81 In response to feedback about circumstances where firms genuinely need additional time to resolve complaints, we have decided to provide an exception to the specified timeframes where there is ‘no reasonable opportunity’ for the financial firm to respond: see RG 271.65.

Timeframes for non-superannuation complaints

- 82 Industry submissions broadly opposed the 30 calendar day timeframe for non-superannuation complaints. Their arguments against this requirement included that:
- (a) complaints from specific industry subsectors (e.g. financial advice related complaints and responsible lending related complaints) are all inherently complex and require more time;
 - (b) the resolution of individual complaints is often delayed by factors outside of the financial firm's control, such as delays caused by the complainant, third-party insurers or medical experts; and
 - (c) reducing IDR timeframes would simply push more matters on to AFCA.
- 83 Many industry submissions noted that while they could (and already do) provide an IDR response to the vast majority of complaints within 30 days, the complex cases that require more time are not accurately described or defined as being 'exceptional'.
- 84 All submissions by consumer representative groups supported a reduction in IDR timeframes to 30 calendar days for non-superannuation complaints. One submission proposed a 21-day timeframe for all complaints. Some of these submissions noted the stress that an unresolved complaint can cause, particularly when a complainant needs to make significant financial decisions (e.g. whether to sell an asset or declare bankruptcy). Consumer legal representatives provided examples where their clients had assumed that their complaint had been rejected due to the long wait times.
- 85 There was a general view across consumer groups (including those that directly represent consumers with complaints) that IDR across the financial service sector is poor and that quality, systems, and outcomes need to substantially improve.
- 86 In our view, the 45 calendar day IDR timeframe for standard complaints was no longer appropriately balancing the interests of industry and consumers.
- 87 We do not accept that all of the complaints in any particular subsector are inherently complex and require additional time to resolve. Firms should ensure that their record keeping and customer service functions are appropriate for the level of complexity in their business.
- 88 We acknowledge that there are individual circumstances where complaints may be particularly complex or where complaints are delayed due to factors beyond a firm's control. In these circumstances we have provided exceptions to the IDR timeframes: see RG 271.65.

Implementation and review

- 89 We have released [RG 271](#). Among other improvements to the IDR requirements and standards, we have implemented Option 1.
- 90 We will continue to evaluate the extent to which the IDR timeframes set out in RG 271 are promoting the effective management of complaints by financial firms.
- 91 In the short term, this may include surveillance, follow-up IDR on-site visits and ongoing dialogue with AFCA to obtain their observations about IDR timeframes.
- 92 In the first half of 2020 we will commence consultation on requirements for all firms with IDR obligations to record and report to ASIC on specified IDR data metrics. The ongoing collection of IDR data will significantly improve our ability to review the effectiveness of the amended IDR timeframes, and ensure firms are only relying on the exception to the maximum timeframe in appropriate circumstances.

D Regulatory Burden and Cost Offset

Option 1: Reduce IDR timeframes, with some exceptions (preferred option)

Table 2: Average annual compliance costs (from business as usual)

Costs	Business	Community organisations	Individuals	Total cost
Agency	\$0	\$0	\$0	\$0
Within portfolio	\$5.1m	\$0	\$0	\$5.1m
Outside portfolio	\$0	\$0	\$0	\$0
Total by sector	\$5.1m	\$0	\$0	\$5.1m

Calculations

- 93 There is currently no available industry-wide data on the number of IDR complaints. For the purposes of this RIS we have taken the number of complaints that were reported to us by the ‘big four’ banks (during the IDR on-site visits) and extrapolated these figures to other subsectors, using their respective number of AFCA complaints as a proxy (i.e. we have assumed that for all subsectors the number of complaints made to AFCA will represent approximately 1.2% of all IDR complaints). This leads to a total approximate figure of 5 million IDR complaints per year, which is significantly higher than the estimate of 1.5 million complaints in [REP 603](#).
- 94 The discrepancy in the estimated number of IDR complaints per year could be due to a number of factors, including the use of different definitions for recording complaints, self-reported data, and a spike in complaint numbers following the Royal Commission. To avoid underestimating the costs to industry, we have taken a conservative approach and used the larger estimated number of complaints for our calculations. Once the IDR data recording and reporting framework is introduced we will have much more accurate data available.
- 95 Table 3 shows our estimate that, of the 5 million IDR complaints each year, 4,578,270 are already completed within the updated timeframes or will be allowed more time under the exceptional circumstances (provided at RG 271.65–RG 271.66). This leaves approximately 421,730 complaints each year that firms will need to respond to more quickly, representing the subset of complaints for which the compliance costs are estimated above.

96 In calculating these costs, we have divided the 10,497 relevant AFCA members with IDR obligations into groups based on the number of complaints made against them at AFCA each year. For each of these groups we have then estimated the average costs of reduced IDR timeframes per firm over 10 years. We have then calculated the average cost over each of the ten years. Feedback received during consultation indicated that much of the cost of reduced IDR timeframes would relate to system and process changes that would need to occur in the initial years after RG 271 is released.

Table 3: Number of complaints that will need to be resolved more quickly

Financial firm type	Number of AFCA complaints in the first year of operation	Percentage of complaints to AFCA	Percentage of IDR complaints already completed within the updated timeframe*	Projected number of IDR complaints	Number of IDR complaints already completed within the updated timeframe	Estimated percentage of complaints where firms have 'no reasonable opportunity' to respond in time	Estimated number of complaints where firms have 'no reasonable opportunity' to respond in time	Number of complaints that will need to be resolved more quickly
Bank	21,594	36.0%	93.0%	1,800,000	1,674,000	4.0%	72,000	54,000
General insurer	12,357	20.6%	93.4%	1,030,000	962,020	4.0%	41,200	26,780
Credit provider	9,298	15.5%	85.0%	775,000	658,750	6.0%	46,500	69,750
Superannuation fund	4,319	7.2%	70.0%	360,000	252,000	15.0%	54,000	54,000
Debt collector or buyer	2,459	4.2%	65.0%	210,000	136,500	18.0%	37,800	35,700
Other	9,897	16.5%	60.0%	825,000	495,000	18.0%	148,500	181,500
Total	59,924	100%	N/A	5,000,000	4,178,270	N/A	400,000	421,730

Note 1: The 'Percentage of IDR complaints already completed within the updated timeframe' figures have been estimated based on submissions made to CP 311.

Note 2: Our data indicated that the 'Other' category for 'Number of AFCA complaints in the first year of operation' included 1,158 complaints about a 'financial adviser/planner'.

Option 2: Reduce IDR timeframes, with no exceptions

Table 4: Average annual compliance costs (from business as usual)

Costs	Business	Community organisations	Individuals	Total cost
Agency	\$0	\$0	\$0	\$0
Within portfolio	\$9.3m	\$0	\$0	\$9.3m
Outside portfolio	\$0	\$0	\$0	\$0
Total by sector	\$9.3m	\$0	\$0	\$9.3m

Calculations

- 97 There is currently no available industry-wide data on the number of IDR complaints. For the purposes of this RIS we have taken the number of complaints that were reported to us by the ‘big four’ banks (during the IDR on-site visits) and extrapolated these figures to other subsectors, using their respective number of AFCA complaints as a proxy (i.e. we have assumed that for all subsectors the number of complaints made to AFCA will represent approximately 1.2% of all IDR complaints). This leads to a total approximate figure of 5 million IDR complaints per year, which is significantly higher than the estimate of 1.5 million complaints in [REP 603](#).
- 98 The discrepancy in the estimated number of IDR complaints per year could be due to a number of factors, including the use of different definitions for recording complaints, self-reported data, and a spike in complaint numbers following the Royal Commission. In order to avoid underestimating the costs to industry, we have taken a conservative approach and used the larger estimated number of complaints for our calculations. Once the IDR data recording and reporting framework is introduced we will have much more accurate data available.
- 99 Table 5 shows our estimate that, of the 5 million IDR complaints each year, 4,178,270 are already completed within the updated timeframes. In the absence of the exceptions proposed in Option 1, this leaves approximately 821,730 complaints each year that firms will need to respond to more quickly. This is the subset of complaints for which the compliance costs are estimated above.
- 100 In calculating these costs, we have divided the 10,497 relevant AFCA members into groups based on the number of complaints made against them at AFCA each year. For each of these groups we have then estimated the average costs of reduced IDR timeframes per firm over 10 years. We have then calculated the average cost over each of the ten years. Feedback

received during consultation indicated that much of the cost of reduced IDR timeframes would relate to system and process changes that would need to occur in the initial years after RG 271 is released.

Table 5: Number of complaints that will need to be resolved more quickly

Financial firm type	Number of AFCA complaints in the first year of operation	Percentage of complaints to AFCA	Percentage of IDR complaints already completed within the updated timeframe	Projected number of IDR complaints	Number of IDR complaints already completed within the updated timeframe	Number of complaints that will need to be resolved more quickly
Bank	21,594	36.0%	93.0%	1,800,000	1,674,000	126,000
General insurer	12,357	20.6%	93.4%	1,030,000	962,020	67,980
Credit provider	9,298	15.5%	85.0%	775,000	658,750	116,250
Superannuation fund	4,319	7.2%	70.0%	360,000	252,000	108,000
Debt collector or buyer	2,459	4.2%	65.0%	210,000	136,500	73,500
Other	9,897	16.5%	60.0%	825,000	495,000	330,000
Total	59,924	100%	N/A	5,000,000	4,178,270	821,730

Note 1: The 'Percentage of IDR complaints already completed within the updated timeframe' figures have been estimated based on submissions made to CP 311.

Note 2: Our data indicated that the 'Other' category for 'Number of AFCA complaints in the first year of operation' included 1,158 complaints about a 'financial adviser/planner'.