



NAB RESPONSE TO ASIC ADDENDUM TO CONSULTATION PAPER CP311

Internal Dispute Resolution: Update to RG 165
(IDR Data Reporting Requirements)

12 February 2021

General comments

National Australia Bank Limited (**NAB**) welcomes the opportunity to provide feedback on ASIC's Addendum to Consultation Paper 311 Internal Dispute Resolution: Update to RG 165 ("**Addendum**") and the associated updated draft data dictionary ("**Data Dictionary**"). This response covers both NAB and its wealth business MLC Wealth¹, which operate distinct complaint management processes.

NAB generally agrees with ASIC's current position on IDR data reporting requirements as set out in the Addendum. NAB supports the implementation of a standardised Data Dictionary and reporting approach for complaints across the financial services industry as a means to enhance oversight of firms' IDR performance and drive better customer outcomes. However, NAB also believes that a number of adjustments could be made to improve ASIC's proposal.

NAB has had the opportunity to review the submission on the Addendum and Data Dictionary prepared by the Australian Banking Association ("**ABA**") and broadly supports the points raised in that submission. This response focuses on matters specific to NAB and is not intended to cover all of the matters raised in the ABA submission.

The Addendum includes seven specific questions for feedback. NAB's response to each of these questions is contained in Section 1 of this submission. NAB has also taken the opportunity to provide further feedback on other aspects of ASIC's current position on IDR data reporting. This is set out in Section 2 of this submission. Finally, NAB has provided detailed comments on the Data Dictionary in section 3 of this Submission.

As flagged in NAB's previous submission on Consultation Paper 311, NAB considers that it and other licensees will incur considerable time, cost and effort to meet ASIC's IDR requirements. Further details of these impacts are included in the submission below. This is not to say that ASIC's proposed reporting requirements should not proceed. To the contrary, NAB is supportive of this change. However, NAB requests that ASIC take this time, cost and effort into consideration when finalising its requirements and determining the timeframe for licensees to comply.

NAB notes that the Addendum states that the IDR data reporting requirements will not come into force on 5 October 2021 when the standards and requirements in RG271 take effect. NAB supports this approach and also seeks further clarification of the likely implementation timeframe. NAB's preliminary analysis indicates that it could take up to 12 months to implement the required systems and process changes, although some parts could be satisfied more quickly pending ASIC's approach to matters such product categorisation.

NAB notes that ASIC proposes to conduct a pilot to test the Data Dictionary and its systems in the second half of 2021. NAB would welcome the opportunity to participate in this pilot to assist ASIC and test its own systems. NAB believes that this will provide an important opportunity to refine and optimise the IDR data requirements to meet ASIC's objectives, address industry concerns and enhance customer outcomes.

Should ASIC have any questions regarding the information in this submission, or require any further feedback in relation to the Data Dictionary and data reporting requirement please contact Peter Talacko on [REDACTED].

¹ On 31 August 2020, NAB announced that entered into a Sale and Purchase Agreement to sell 100% of MLC Wealth to IOOF Holdings Ltd. Subject to the timing of regulatory approvals, completion is expected to occur before the middle of calendar year 2021.

Section 1: Specific questions for feedback

Question	NAB response
<p>1. Will the draft data dictionary be practical for industry to implement? If not, why not?</p>	<p>NAB agrees with the implementation of a standardised data and reporting approach for complaints across the financial services industry.</p> <p>However, the approach to the categorisation and reporting of complaints data outlined in the Data Dictionary differs considerably from the approach currently taken by NAB. Further details on these differences are set out in Section 3. From a practical perspective, this means that significant time and resources will be required to align NAB’s approach to the draft requirements and test the changes.</p> <p>The required changes would affect both current systems and in flight projects at NAB. For example, NAB’s Complaints Transformation Program is currently underway for which new systems and processes are being built to NAB’s current classification approach. The planning and deliverables of the program will need to be reviewed in light of ASIC’s draft Data Dictionary, and this may result in considerable rework and cost.</p>
<p>2. If your financial firm has multiple business units or brands under the one licence, would you prefer to report the complaints data separately or as one single file?</p>	<p>NAB supports giving licensees the option to report complaints data separately for different brands, business units or subsidiaries. However, NAB does not believe that this approach should be mandated. Rather, licensees should be given the flexibility to choose the approach that best reflects the structure of their business.</p>
<p>3. The data dictionary captures multidimensional data by allowing each complaint to have one product or service, up to three issues and up to three outcomes. Where</p>	<p><u><i>Complaints with multiple issues and outcomes</i></u></p> <p>NAB’s current approach for complaints with multiple issues and outcomes is to separate the issues using multiple rows and columns – one for each issue and outcome. This is the most robust approach for the purposes of data reporting, clear distinction of issues, optimising operational processes and automation of complaints classification.</p> <p>Accordingly, NAB’s strong preference would be to use multiple rows and columns rather than in-cell lists (as currently contemplated by the IDR Data Dictionary). NAB is concerned that the ‘in-cell lists’ approach adds</p>

<p>there are multiple issues and outcomes, this is captured using in-cell lists, rather than multiple rows or columns. Is this approach appropriate?</p>	<p>unnecessary complexity and increases the compliance burden.</p> <p>If ASIC elects to mandate the in-cell list approach, it would be helpful if ASIC also provided guidance or examples on how to prioritise the issues and outcomes that are recorded for a particular complaint where there are more than three (i.e. where not all issues and outcomes can be captured). This is an area that could lead to inconsistent reporting between licensees.</p> <p><u>Complaints relating to multiple products and services</u></p> <p>NAB's strong preference is that firms should be able to record more than one product or service per complaint. As ASIC is aware, complex complaints can relate to several products or services and have multiple issues or outcomes. NAB's current practice is to record and manage all of these issues within a single complaint. This is the most efficient and customer centric approach.</p> <p>The alternative of creating multiple complaint records where a complaint relates to more than one product or service adds unnecessary layers of complexity to the IDR process. It also creates the potential for consumers to be confused if they are given the impression that there are multiple disputes when only one has been raised with multiple issues.</p>
<p>4. Do you support quarterly reporting of IDR data? If not, what are the additional costs of reporting data on a quarterly rather than half yearly basis?</p>	<p>NAB supports quarterly IDR reporting in principle. However, in practice, it will take time for firms to put required systems, process and resources in place. For this reason, it may be preferable to start with half-yearly reporting and then move to quarterly reporting once industry is better positioned to comply.</p>
<p>5. Do you support the two proposed additional data elements that would capture consumer vulnerability flags and the channel via which the complaint was received? If not, why not?</p>	<p><u>Vulnerability flag</u></p> <p>NAB supports the capture of customer vulnerability flags. This is consistent with NAB's current practice.</p> <p>However, NAB notes that there is no single definition of "vulnerability" and licensees may take very different approaches to how they record this data. For example, firms with more sophisticated systems and expansive vulnerability criteria will likely record more customers as vulnerable. This would not necessarily reflect differences in the firm's practices or customer base, but rather differences in the effort put in to identify and manage vulnerability. For this reason, NAB doesn't believe that ASIC will be able to draw meaningful insights from vulnerability flag data</p>

	<p>and cautions ASIC against comparing firms’ relative performance based on this metric.</p> <p><u>Complaint channel</u></p> <p>NAB supports in principle the capture of the channel via which the complaint was received. This data element is currently embedded in NAB’s regular complaints reporting. However there are challenges with consistently and accurately capturing channel data for complaints and this is likely to cause data quality issues with the information reported.</p>
<p>6. When we publish the IDR data, how can we best contextualise the data of individual firms? Are there any existing metrics of size and sector that would be appropriate for this purpose?</p>	<p>NAB recommends that ASIC adopt AFCA’s existing comparative data reporting system (used within the Datacube) which already determines the size of a sector and has an established process to report on complaints data to the public. This will in turn promote consistency in the complaint data that is disclosed to the public for the reporting period.</p>
<p>7. Which IDR data elements do you think will be most useful for firms to benchmark their IDR performance against competitors?</p>	<p>NAB recommends caution when selecting the metrics used to make comparisons between firms. At a minimum, metrics need to take into account each firm’s relative size to ensure fair comparisons are made. Possible metrics that ASIC should consider include:</p> <ul style="list-style-type: none"> • Volume of complaints relative to number of customers (or firm size) • Volume of complaints by product category and sub-category • Volume of complaints by complaint issue • Volume of complaints by financial/non-financial outcomes • Volume of complaints by resolution timelines • <i>Volume of IDR complaints referred to AFCA relative to number of customers (or firm size)</i> • <p>However, these should be relative to the size of the firm, when used in comparison tables, and it must be made clear that capturing fewer complaints is not necessarily because customers are satisfied.</p>

Section 2: General comments on ASIC’s current position on the IDR data reporting requirements

Question / issue	Feedback
<p>B4Q1. Do you agree that firms should record all complaints that they receive? If not, please provide reasons</p>	<p>NAB supports the proposition that a firm record all the complaints it receives, irrespective of resolution time.</p> <p>However, NAB notes that due to operational nature of complaint capture processes, there may be errors and/or lack of consistency in recording of complaints, resulting in some complaints not being captured from time to time. In NAB’s experience, all coding methods (human or machine) will have error rates, and error rates of up to 10% are not uncommon.</p> <p>NAB requests that ASIC provide further guidance on:</p> <ul style="list-style-type: none"> • What would constitute full compliance with this obligation (including by providing examples); and • What type of assurances ASIC would expect to rely on from firms to demonstrate compliance (noting that it may be challenging to identify complaints that have been missed, or mis-coded).
<p>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</p>	<p>NAB assigns a unique identifier to each complaint recorded and is therefore already compliant with this requirement.</p>
<p>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</p>	<p>NAB generally considers the adoption of a common IDR data set is appropriate and logical, in order to ensure consistency across industry in the long run.</p> <p>NAB’s specific comments on the Data Dictionary (including in relation to B5Q2(a) & (b)) are set out in Section 3 below.</p>

<p>firm offers?</p> <p>(b) Do the proposed codes for “complaint issue” and “financial compensation” provide adequate detail?</p>	
<p>B6Q1: Do you agree with our proposed requirements for IDR data reporting? In particular:</p> <p>(a) Are the proposed data variables set out in the draft IDR data dictionary appropriate?</p> <p>(b) Is the proposed maximum size for 25MB for the comma-separated values (CSV) files adequate.</p> <p>(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?</p>	<p>(a) <u>IDR Data Dictionary</u></p> <p>NAB’s specific comments on the Data Dictionary are set out in Section 3 below.</p> <p>(b) <u>File size</u></p> <p>NAB agrees with the plan to increase the maximum file size to 100 MB. However, if the file CSV file exceeds 100 MB, firms may need flexibility to split the file and submit in parts.</p> <p>(c) <u>Reporting no status change</u></p> <p>NAB agrees that an open complaint should still be reported to ASIC for periods when there has been no change in the status of the complaint provided there is no requirement to filter and separately report on previously reported complaints and changes.</p>
<p>Breach reporting</p>	<p>NAB notes that under the new breach reporting requirements introduced in the <i>Financial Sector Reform (Hayne Royal Commission Response) Act 2020</i> (Cth), a failure to comply with s.912A(1)(g) of the <i>Corporations Act 2001</i> (Cth) (i.e. the requirement to have a complaint management system that complies with the standards and requirements set out in RG271) would be deemed a “significant breach” of a “core obligation” and be reportable to ASIC under new section 912DAA.</p> <p>NAB requests that ASIC provide further guidance on what full compliance with RG271 looks like and the circumstances in which ASIC would expect to see a breach report. As noted above, all coding methods (human or machine) will have error rates, and error rates of up to 10% are not uncommon. This make it relevant to determine what type of error rate would be considered non-compliance for certain IDR requirements and data metrics.</p>

	<p>NAB would not expect that a single failure to meet an enforceable paragraph of RG271 (for example, a failure to meet a maximum IDR response timeframe for an individual customer, or a failure to record an individual complaint) would be a breach of s.912A(1)(g). However, clarity on this matter would be appreciated.</p>
<p>Circumstances where the business is being wound down</p>	<p>NAB requests that ASIC clarify its position on complaint data reporting requirements in respect of legacy complaints for licensees that no longer authorise representatives. Specifically, NAB would like to understand ASIC's appetite for relief against the reporting requirements given the costs involved in amending databases that do not currently cater to the new requirements and will be decommissioned once the statute of limitation on making claims has expired.</p> <p>Some banks have sold their wealth businesses whilst retaining responsibility for dealing with legacy complaints that are commonly lodged by consumers on average 4 to 5 years after the advice has been provided. There will be limited value to collect data that would provide insights and lessons to products and services that these banks will no longer provide.</p>

Section 3: Specific comments on draft IDR data dictionary

Data Element	Name	NAB comment
#3 to #7	Complainant type, gender, date of birth, Aboriginal/Torres Strait Islander descent, postcode	<p>NAB notes ASIC’s requirement to provide customer demographic information for each complaint. This data currently does not form part of a complaint record at NAB and is not something that NAB would ordinarily record as part of the complaint handling process. In practice, the only way to consistently obtain this data would be to link customer records held by NAB to the relevant complaint ID. To do this would be technically challenging and would significantly increase compliance costs and timing.</p> <p>NAB would like to emphasise that there is a risk that complaints demographic data and other data elements, when combined with other third-party data sources, could lead to the identification of specific individuals. NAB would appreciate further details on why ASIC wishes to collect this data and what insights ASIC hopes to achieve. NAB is open to working with ASIC to consider if there are alternative metrics or methods that can be used to achieve ASIC’s objectives.</p>
#8 - #9 & #20	<p>Is the complaint about the authorised representative of an AFS licensee or an authorised credit representative?</p> <p>Authorised representative or credit representative identifier number</p> <p>Advisor number</p>	<p>NAB notes that there are challenges in identifying specific credit representatives and individual advisor numbers. For example, employees who record a complaint are unlikely to know the specific license number related to the complaint nor could they readily search for or identify it. This information is not currently available in complaint records at NAB. Further work will be required to source this data in link it to complaint IDs.</p> <p>NAB would appreciate further details on why ASIC wishes to collect this data and what insights ASIC hopes to achieve. NAB would be concerned if ASIC proposed to publish individual advisor numbers related to complaints and notes that there may be privacy concerns with such an approach. NAB is open to working with ASIC to consider if there are alternative metrics or methods that can be used to achieve ASIC’s objectives.</p> <p>NAB also requests clarity from ASIC about the difference between data element #9 and #20. Both require an adviser number to be captured. Please confirm whether this is duplication or ASIC is looking for a different number in under data element #20 (i.e. not the FAR number)?</p>
#10	Complaint status	The identification of ‘open’ and ‘closed’ complaints is straightforward and embedded in NAB’s current IDR data and reporting. However, to accurately identify ‘re-opened’ and ‘withdrawn’ status as proposed in the Data Dictionary would require further work to update NAB systems and standard operating procedures. This will

		increase the costs and time to achieve compliance.
#18	Product or Service	<p><u>General comments</u></p> <p>NAB considers that the proposed ‘Product or Service’ categories and types in Table 4 of the Data Dictionary (‘Product List’) are broadly complete. However, NAB is concerned that the Product List is overly complicated, inconsistently levelled and in many cases confuses ‘product’ with ‘purpose’. NAB considers that this may lead to confusion on the part of those trying to classify complaints and may lead to inconsistent reporting.</p> <p>NAB recommends that the Product List be simplified in a similar way to the Open Banking product list (BankingProductCategory – Consumer Data Standards (consumerdatastandardsaustralia.github.io)). The Open Banking list would provide a good starting point for a simpler product list, but would need to expand to include the greater breadth of ASIC’s proposed Product List.</p> <p>NAB considers that there would be significant costs, time, complexity involved in attempting to automate the proposed Product List into NAB’s complaints systems and is concerned that this could potentially far outweigh any benefits received from having such an extensive Product List.</p> <p><u>Specific comments</u></p> <ol style="list-style-type: none"> 1. Broadly speaking the Product List covers the products offered by NAB. 2. NAB notes that the Product List uses a much more granular categorisation compared to what is currently represented in NAB’s systems and information sources and there is a 1:many relationship between product type (as depicted in NAB’s systems) and the categories on the Product List. For example, ‘Pension’ as a product type at NAB would fall under 9 product & service numbers in the proposed Product List. 3. NAB notes that there is a discrepancy in the language used to classify products at NAB compared to the proposed Product List and considers that certain categorisations are ambiguous. For example, would a product such as NAB’s ‘iSaver Account’ be classified as an ‘online savings account’ or a ‘cash management account’? 4. NAB also notes that the Product List is a combination of product ‘type’ in the classic sense AND product ‘purpose’. For example: <ol style="list-style-type: none"> a. Product #11 (investment property loans) - as opposed to a Home Loan taken out to purchase an investment property;

		<ul style="list-style-type: none"> b. Product #27 (mortgage offset accounts) - as opposed to a transaction account linked to a home loan for the purpose of offsetting funds against a debt; and c. Product #33 (first home buyer account) - as opposed to a savings account set up for the purpose of saving a deposit to purchase a first home. <p>5. NAB is concerned that it will be challenging for staff to apply the Product List in practice. There appears to be an implied assumption that individuals applying the Product List at time of capturing / analysing a complaint have a high level of product knowledge and an ability to apply nuanced product selections. For example, an individual would need to understand when to use:</p> <ul style="list-style-type: none"> a. Product #51 (personal and domestic property-valuables) as opposed to product #38 (home contents); or b. Product #103 (eftpos) as opposed to product # 133 (merchant facilities); or c. Product #141 (pension as an ‘Approved Deposit Fund’) as opposed to Product #157 (pension as a ‘Small APRA fund’); or d. Product #14 (home loans as ‘consumer credit’) as opposed to product #27 (mortgage offset accounts as ‘current accounts’) – noting that the distinction can be difficult to draw where an offset account is included as part of a home loan package.
#19	Complaint Issue	<p><u>General comments</u></p> <p>The categories of complaint issues in Table 4 of the Data Dictionary (“Complaint Issues List”) are significantly different to NAB’s complaint issues classification system. While some data elements in the Complaint Issues List are currently available, NAB’s current classification tree will need to be modified to account for most of the other data elements.</p> <p>NAB notes that the categories included in the Complaint Issues List are not mutually exclusive and could result in significant overlap of complaint issues. For example, a complaint related to information provided by a banker in a branch could come under ‘advice’ issues, such as issue #3 (failure to provide advice), issue #4 (inappropriate advice); or ‘disclosure’ issues such as issue #27 (incorrect product/service information), #28 (insufficient product/service information) or #29 (misleading product/service information).</p> <p>This ambiguity and overlap could lead to inconsistent IDR reporting across the industry depending on how individual licensees decide to utilise and prioritise the 3 categories of issues that are permitted to be recorded</p>

		<p>against each complaint.</p> <p><u>Specific comments</u></p> <ol style="list-style-type: none"> 1. NAB strongly recommends that ASIC consider adding complaint issue categories related to: <ol style="list-style-type: none"> a. Fraud/scams; b. Third party errors; and c. Customer errors. 2. NAB requests further clarification in relation to the following matters: <ol style="list-style-type: none"> a. Does issue #11 (Incorrect Tax) refer to withholding tax only? b. Does issue #12 (No Claim Bonus) only apply to Insurance firms? c. Would a customer data breach be included under issue #15 (incorrect/inappropriate data maintenance) or under issue #14 (incorrect/inappropriate data use or disclosure)? d. What is the difference between issue #18 (incorrect/inappropriate advice) and issue #4 (inappropriate advice)? Is issues #18 specific to advice about data use?
#21	<p>Outcome in whose favour (1 = In favour of complainant in full or in part 2 = In favour of entity)</p>	<p>NAB notes that multiple ‘outcomes’ may be associated with a single complaint, and the binary classification for this data element may be difficult to apply in practice. Further guidance is requested in relation to complaints where:</p> <ul style="list-style-type: none"> • There are multiple issues, some of which are decided in favour of the client and others which are decided in favour of the licensee. How is this to be recorded? • A resolution has not been achieved or is unknown. Are they to be excluded from the data set? • A non-financial outcome or resolution is achieved. For example: the customer/third party/banker was provided further education on the issue, a basic apology was offered, a system issue was fixed, etc. Should these be considered an ‘outcome in favour of complainant in full’? • A goodwill payment has been made to the customer (even though customer may be at fault). Should this be considered ‘outcome in favour if complainant in full’?

#23	Other Outcomes	<p>NAB notes that the data categorisation for ‘other outcomes’ is considerably different to NAB’s current outcome classification. As with other elements of the Data Dictionary, changing NAB’s systems to align with ASIC’s requirements will take time and resources to implement.</p> <p>NAB also notes that there is some overlap between the outcome classifications. For example, how should a licensee categorise fees or interest correctly charged but waived as a goodwill gesture? Would this be covered by Item 23 (other outcomes) code #3 (full/partial waiver of debt/interest/fees); or by Item 22 (monetary compensation)? Further guidance on the treatment of goodwill payments is requested to ensure consistent reporting across the industry.</p>
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