Committee Secretariat
Standing Committee on Economics
PO Box 6021
Parliament House
Canberra ACT 2600

By email: floodinsurance.reps@aph.gov.au

RE: Flood insurance inquiry: additional questions

Dear Secretariat,

I refer to your letter of 19 March 2024, requesting AFCA response to additional questions following our public hearing appearance on 21 February 2024. Our response to the Committee is enclosed. We hope this information assists the Inquiry.

We note the Committee will decide whether to accept the document as a supplementary submission and publish it on its website.

If you require any further information, please contact Lara Heilbuth in our Government Relations team on lara.heilbuth@afca.org.au

Yours sincerely,

David Locke
Chief Ombudsman and Chief Executive Officer
Australian Financial Complaints Authority

Flood insurance inquiry: Additional questions for AFCA

1. ***Of the total number of complaints you received in relation to 2022 flood claims, what percentage were eventually overturned, or partially overturned, in the consumers' favour, whether by the insurer or by AFCA?***

Beyond the data provided on outcomes at page 15 and 16 of our submission, AFCA is unable to provide further detail in response to this question.

As noted in our submission, AFCA does not collect or record data on the outcomes of complaints that insurers resolve either directly with their customers (at internal dispute resolution) or during the AFCA registration and referral stage, that is, before complaints progress into AFCA's case management stage. We therefore do not know whether resolution at these early stages has resulted in an 'overturning' of a previous claims decision or of the terms of any settlement agreed between the parties. This is information that insurers would hold and be able to report on.

Of those complaints that do progress into case management, they resolve at different points in the AFCA process. For example, they could resolve at preliminary view stage where a case worker provides their views as to the merits of the complaint, or a complaint may settle during a conciliation process, that could be by way of the financial firm amending or partially or fully overturning its initial decision at internal dispute resolution or the firm could amend its position taken at an earlier stage of the AFCA process. Only a minority, typically the more complex matters will resolve at AFCA's Decision stage. At page 15 - 16 of our submission, we set out outcomes for each of these stages.

2. ***How many of the cases you received involved claim denials or partial claim denials...***
   a) ***Due to flood exclusions; and what percentage of these did you overturn?***
   b) ***Due to maintenance and wear and tear exclusions; and what percentage of these did you overturn?***

AFCA categorises complaints by reference to the key issues raised in the complaint. We typically categorise general insurance complaints by reference to whether the complaint related to a claim denial, claim amount or an exclusion. AFCA's data is not sufficiently granular to reflect the specific type of exclusion relied upon by the insurer when denying a claim, although this is something our case workers and decision makers consider when making preliminary assessments and decisions.

3. ***What are the 17 'systemic issues' in general insurance you reported to ASIC in 2022-23? (Page 28 of AFCA's submission.)***

In FY 2022-23, AFCA reported 17 definite systemic issues to ASIC relating to general insurance. Resolution of these 17 resulted in remediation to over 19,000 consumers in the form of $13 million in refunds as well as other outcomes such as policy restoration and apologies to affected consumers.

Of those 17, 3 involved issues affecting consumers with floods complaints (that is, they had at least one linked complaint about floods). These cases related to:

- Claims handling involving poor and inconsistent communications about cash settlements in home building policies
- Settlement agreements that did not accurately reflect the resolution reached at AFCA. This matter resulted in remediation of around $127,000 to 2,563 consumers, and
- Failures relating to an insurer's process for implementing AFCA determinations.

The remaining 14 general insurance matters covered a variety of non-flood related issues including:

- Mis-selling of general insurance products
- Application of discretionary cover
- Application of exclusions for covid-related claims
- Reduction in benefits in settling replacement costs
- Policy interpretation relating to pre-existing conditions
- Delay and poor compliance with IDR and AFCA timeframes for responding to complaints
- Delay in claims handling
- Policy interpretation in settling motor vehicle claims
- Inconsistent product disclosures
- Non-cooperation with AFCA's complaints process
- Poor underwriting data retention for complaints handling.

More information about AFCA's systemic issues function can be found here: Systemic issues | Australian Financial Complaints Authority (afca.org.au), including our annual Systemic Issues Insights Reports: Systemic Issues Insights Reports | Australian Financial Complaints Authority (AFCA).

4. What are the 24 'potential systemic issues' relating to the major floods that you are investigating? (Page 29.)

AFCA case workers 'flag' individual complaints where they consider the conduct of the financial firm may be systemic. AFCA's specialist Systemic Issues Team triages these matters to identify potential systemic issues which on further investigation may be classified as definitely systemic (ie, it is an issue that is likely to have an effect on one or more consumers or small businesses, in addition to a complainant). The examples referred to on page 29 of our submission (and repeated below) reflect common systemic themes arising in general insurance complaints, including:

- Failing to provide IDR responses consistent with ASIC RG 271
- Insurers not assessing claims under 'Accidental Damage' policy provisions when the policy has accidental cover as a listed coverage type
- Adequacy of claims handling and delays in claims handing

- Conduct of assessors acting on behalf of insurers
- Barriers to policy holders nominating third party representatives (including financial counsellors and other professional representatives).

AFCA and the code governance committee say that insurers' expert reports and their reliance on 'maintenance' and 'wear and tear' exclusions' are 'an area of concern' and 'should be addressed on a systemic level'. According to evidence given to the inquiry, the exclusions are very broad, applied inconsistently and often without adequate supporting evidence.

5. Should industry-wide standard definitions and interpretations be established for the 'maintenance' and 'wear and tear' exclusions?

Treasury is currently consulting on standardising natural hazard definitions. AFCA is supportive of standardising definitions. We consider that standardisation can support more effective communication between insurers and customers at product purchase time, including supporting consumers to shop around where specific product features are important. However, as definitions operate alongside exclusions and other product features, it is necessary to temper expectations that standardisation on its own can overcome broader product complexity for consumers. Other initiatives that would support enhanced consumer understanding of product terms include standard product terms (Treasury is also consulting on this issue), clear, concise and effective product disclosure, and designing and selling products that are suitable for the relevant target market.

We can see material benefits of standardisation on the supply side, in supporting insurers to make clearer and more timely claims decisions and to reduce consumer complaints where there is uncertainty about an insurer's interpretation of a particular definition. It may also support insurers to ensure that experts are clearly instructed before they assess a claim to deliver consistent and quality expert reports, an issue AFCA highlighted in its submission to the Inquiry.

A further benefit of simpler, standardised definitions would be to help speed up the resolution of claims, noting the impact of delays which can amplify vulnerabilities in already traumatised communities.

In AFCA's experience, efforts to standardise definitions have the additional benefit of taking a systemic approach to known problems.

6. Should industry-wide standard definitions and interpretations be established for all types of non-flood water damage?

Yes. See response to question 5 above.

7. Does AFCA believe that the exclusions relating to 'maintenance' and 'water damage' amount to unfair contract terms? If not, why not? If so, what is the best regulatory mechanism to deal with the problem?

AFCA identifies few general insurance complaints involving potentially unfair contract terms (UCTs), and the UCT provisions in the ASIC Act are unlikely to respond to the issues resulting from the application and operation of such exclusions in claims handling. When considering whether a term is an unfair contract term it is necessary to consider whether the term:

- causes a significant imbalance in the parties' rights and obligations
- is not reasonably necessary to protect the legitimate interests of the party who would be advantaged by such a term, and
- would cause detriment to a party if the term were to be applied or relied on.

These requirements impose a relatively high bar on determining whether a term is unfair. Arguably, requirements in an insurance policy on the policy holder to maintain a property, or excluding cover for defects, are reasonably necessary terms to protect the legitimate interests of the insurer.

Among other things, when considering the operation of an exclusion clause, AFCA will consider:

- Whether it is satisfied that the relevant policy was provided to the consumer at the appropriate time
- The clarity of the policy drafting
- Whether there is a causal relationship between the cited policy exclusion and the claimed damage, and
- The quality and probative value of the expert reports lodged by the parties to the complaint in relation to the application of the exclusion the insurer is seeking to rely on.

Alternative opportunities to respond to the identified problems may include:

- Development of guidance setting consistent minimum standards for insurers on the scope, content and quality of expert reports; this could be in the form of regulatory guidance, code standards, or legislative requirements
- similarly, guidance on claims handling, now a financial service, setting consistent standards for insurers to ensure they handle claims efficiently, honestly and fairly
- Consideration as to whether the enforcement regime, including the enforceability of code provisions, is fit for purpose. We note that the General Insurance Code of Practice (currently under review) is not contractually enforceable by consumers against subscribing insurers in the same way as the

banking code is contractually enforceable against participating banks. This would help consumers who do not bring a complaint to AFCA.

8. Do you apply Section 46 of the Insurance Contracts Act when considering insurers' use of these exclusions? (For example, overturning the insurer's claim denial because the policyholder could not have been expected to have been aware of the defect or imperfection.)

Please see responses to questions 9-13.

9. Submission No. 29 to the inquiry (by Restoration Industry Consultants) wants AFCA to 'state its approach' to Section 46, as it has for Section 47, on the grounds that it would 'avoid prolonged and unnecessary disputes as to whether pre-existing building faults can be excluded by the insurer' (pages 9–10 of that submission). Does AFCA plan to do so?

AFCA does not plan to do so. AFCA is generally unable to apply section 46 in favour of the complainant in a determination. This is because the practical application of section 46 offers minimal consumer benefits.

Section 46 applies to a provision in the policy itself, not the facts of the case. If the relevant provision in the policy does not contain a temporal reference (e.g. an exclusion that limits the insurer's liability by reference to defects or imperfections that existed before the policy was entered into) but simply excludes defects or faulty workmanship regardless of when they occur, then section 46 does not apply.

This is regardless of whether the facts show:

- The defect existed before the contract was entered into
- The complainant, and a reasonable person in their circumstances, could not have been expected to be aware of the defect.

This is similar to the operation of section 47 of the *Insurance Contracts Act*. For example, a policy that excludes claims for cancers will not offend section 47 because it contains no temporal reference. In contrast though, if the policy excludes cancers that pre-existed the inception of the policy, then section 47 could be engaged.

The two main cases that set this out are *Asteron Life Limited v Zeiderman* [2004] NSWCA 47 ('Asteron') and *Greg Nelson v The Hollard Insurance Company Pty Ltd* [2010] NSWSC 199 ('Nelson'). The Nelson case is particularly illustrative of the limits of section 46.

AFCA has published its approach to section 47 because there are various instances when it can apply in the consumer's favour or it can be a relevant issue in a complaint. This is because many policies contain temporal exclusions regarding a sickness or disability (e.g. pre-existing medical exclusions). This includes travel,

consumer credit insurance, personal accident & sickness, income protection, TPD and death cover.

By contrast, AFCA has not seen examples where a policy seeks to exclude defects that pre-existed the contract being entered into. This is because most, if not all, home insurance policies AFCA has dealt with contain no such temporal reference for these types of exclusions.

As a result, section 46 has had negligible impact on the complaints AFCA has dealt with. Given this, and because section 46 is not an argument regularly raised or considered, AFCA does not consider there is a need to state or benefit from stating its approach to section 46 or to publish an approach document on section 46, as it has done for section 47.

10. Would a statement from AFCA on Section 46 benefit insurers and consumers alike?

AFCA is open to doing so if insurers and consumers consider there is utility in doing so. However, for reasons explained in the previous question, as this issue is not relevant to complaints resolved by AFCA, we do not consider there is utility in issuing such a statement.

11. Why would insurers want AFCA to state its approach to section 46? Do they find it unclear or confusing? Is any such confusion understandable?

We do not consider that insurers would find our approach confusing. The Nelson case clearly sets out the scope of the application of section 46. AFCA and its predecessor schemes have applied this approach consistently. Further, we do not consider there are examples in AFCA's complaint resolution that have resulted in an adverse outcome to the insurer based on section 46. Again, this is because generally policies do not contain a temporal reference.

12. Should this section of the law be made clear in insurers' product disclosures, e.g. 'we cannot deny a claim for pre-existing defects that you could not reasonably have been expected to be aware of?'

No. As stated previously, most policies do not contain exclusions with a temporal reference to when the defect occurred. Exclusions without this reference would not attract the operation of section 46. Therefore, these types of statements would likely be incorrect and create confusion.

13. Is ASIC regulatory guidance required for interpreting this section?

No. The law is clear on how it operates, and its practical scope is very limited.

On page 35 of your submission, you say that ASIC's Regulatory Guide 271 standards, relating to internal dispute resolution (IDR), are 'enforceable'.

14. In what way are they enforced?

RG 271 is a regulatory guide issued by ASIC. It sets out the IDR standards and requirements that apply to retail financial firms who are licensed by ASIC including general insurers. Certain standards and requirements are highlighted in RG 271 and made enforceable by operation of a legislative instrument *[ASIC Corporations, Credit and Superannuation (Internal Dispute Resolution) Instrument 2020/98*]. Those particular standards and requirements can therefore be enforced by ASIC, as opposed to merely acting as guidance for firms as to how the law should be complied with. Relevant examples of enforceable provisions from RG 271 include the definition of complaint, outsourcing of IDR processes, IDR response contents and IDR response timeframes.

15. When are they enforced? Is it only when complaints reach AFCA?

RG 271 substantially covers the complaints handling processes that firms should apply and standards they should meet **before** a complaint comes to AFCA. It is open to ASIC, as the regulator, to take enforcement action under RG 271 against any firm including in relation to how they deal with complaints that have not been escalated to AFCA. By way of example, we note that on 6 November 2023 ASIC announced that it had commenced civil penalty proceedings in the Federal Court alleging that Telstra Super had failed to comply with IDR requirements. This was the first proceeding under the IDR/RG 271 regime which came into effect on 5 October 2021.

There are some parts of RG 271 which expressly deal with the links between IDR processes and AFCA, including enforceable requirements that firms must provide details of how to access AFCA when IDR complaints are not resolved, or not resolved within relevant timeframes. From time-to-time AFCA will identify (through the complaints that are made to us) that member firms may have breached their IDR obligations. Where these issues appear to be systemic, they will be investigated in accordance with our systemic issue process (see above) and may, if confirmed, be reported to ASIC.

16. Do you believe some sections of the General Insurance Code of Practice need to be 'strengthened'. If so, which provisions?

First, some key points about the enforceability of the General Insurance Code:

- A code needs to be enforceable to be effective
- The oversight body, whether an independent body or a regulator, needs to have the powers and resources to effectively monitor compliance
- Transparency about compliance is a key tool to ensuring compliance
- There should be remedies and sanctions for breaches, and
- Embedding the code commitments in insurance policy provisions should be considered.

The areas of the Code where we consider that standards need to be strengthened and or raised include:

- Communication with policyholders, particularly at claim time
- Timeliness of claims handling and communication
- Cash settlements – ensuring a consistent framework and approach to their use and calculation
- Insurers' oversight, monitoring and training of experts and third parties
- Breach reporting and sanctions
- Dealing with consumers who may be experiencing vulnerabilities.

The Code must contain clear obligations for timeliness and communication. Insurers must be able to meet obligations to handle claims and provide communications to customers within specified timeframes, especially during periods of heightened need and vulnerability for customers.

The Code must be strengthened to cover the requirements when an insurer offers cash settlements in claims. Clearer obligations within the Code should mean insurers provide consumers with the information and clarity they need to fully understand the significant implications of, and risks that come with, cash settlements.

Insurers' responsibility for ensuring effective oversight of external experts should be strengthened in the Code. Given the failings we have seen with experts and assessors, the Code must be able to deliver improvements in the quality of the reports and insurers' oversight and training.

Code breach data should give a clear picture of the scale of delays on claims handling and communications.

Another area of the Code that should be reviewed is insurers' approach to vulnerability. The definition of vulnerable consumers should be updated and strengthened. For some consumers the impact of disasters, like the major floods, compound existing states of vulnerability or impairment. The definition should also consider situational vulnerability.

AFCA considers all consumers lodging claims in the context of a natural disaster, particularly of the scale of the four events making up the Major Floods, should be treated at least as suffering situational vulnerability. The related provisions around hardship support should be strengthened also.

Finally, we note the General Insurance Code review in 2024 is an opportunity for the sector to consider the experience of their customers affected by the floods and to build strong, enforceable standards into the Code that at least meet community expectations.

AFCA believes it is essential for the Insurance Council of Australia to seek ASIC approval of the Code. We would like to see a commitment from industry to deliver an

ASIC approved Code in a specific timeframe, say by mid-2025. And if this does not occur, for the Committee to consider what steps from Government might be appropriate to ensure enhanced consumer protection.

You provide a table on page 39 showing three different categories of loss for which consumers can be compensated.

17. Of the 3,477 flood-related complaints you received, on how many occasions was each category of compensation awarded?

AFCA's outcomes data for complaints received is limited by a number of factors. AFCA will not know or record outcomes in cases that resolve early in the process or where parties do not provide AFCA the detail of the resolution achieved. AFCA records outcomes data in cases where AFCA is actively involved in the complaint outcome (generally after the first stage in AFCA's process – 'registration and referral' stage).

We have reviewed recorded outcomes for the 3,477 flood complaints referred to in our submission. Our data shows that we awarded compensation for direct financial loss in 1,102 complaints, indirect financial loss in 12 complaints and non-financial loss in 644 complaints.

You say you take a 'conservative approach' to awarding non-financial loss compensation (page 39).

18. Why is that, given the huge delays consumers have experienced and the fact that so many cases could and should have been resolved by insurers during their IDR processes?

AFCA is an alternative to the Court system, as an external dispute resolution (EDR) scheme established to resolve consumer complaints with a minimum of formality, independently, fairly and efficiently, and free for consumers. Except for defined 'superannuation complaints' financial firms are bound by AFCA determinations which are not—beyond very limited grounds—subject to merits review in the Courts.

While the range of remedies available to AFCA decision makers is broad, it primarily provides compensation for direct financial loss where those losses are caused by the conduct of financial firm members of the scheme. AFCA is not bound by the rules of evidence, and it is a longstanding feature of EDR schemes that they generally do not award compensation for consequential losses.

The 2021 Independent Review of AFCA[1] conducted by the Commonwealth Department of Treasury considered the appropriateness and adequacy of AFCA's jurisdiction in relation to awards of non-financial loss. In our submission to the Review, AFCA had proposed increasing the non-financial loss cap, stating the current

[1] Review of the Australian Financial Complaints Authority - Final Report | Treasury.gov.au

cap does not always provide sufficient compensation for significant stress, inconvenience and pain and suffering caused to a complainant by a financial firm.[2]

The Review did not support an increase in the compensation cap for non-financial loss, on the basis that at that point in time, there was insufficient evidence to suggest that the existing cap was inadequate and that AFCA decisions are not reviewable. However, the Review did conclude that AFCA should continue to collect data on decisions to award compensation for non-financial loss to help inform future consideration of this matter.[3]

19. Should the non-financial loss compensation limit be increased from $5,400 to better compensate consumers who endure very long delays (often as a result of systemic problems) and to encourage insurers to take complaints seriously?

Yes we would support an increase. AFCA's non-financial loss compensation limit is currently $6,300.

We see that consequential losses due to misconduct by financial firms can have disastrous impacts on people, including the loss of a home, relationship breakdown, and mental and other health issues. Given these serious and often lasting impacts, the specific limits on indirect financial loss and non-financial loss of $6,300 may be inadequate. We therefore support the AFCA limit being reviewed and lifted.

A change to the limit would not affect AFCA's approach to the circumstances where an award may be appropriate, it would enable AFCA to respond more effectively and fairly to cases where a higher award is warranted. It would also signal to a financial firm that they have materially fallen short of their responsibilities toward their customers. AFCA is not a regulator – it is not our role to fine a firm – we are seeking to compensate the complainant for the stress they have experienced due to the firm's conduct.

To make such a change is not within AFCA's unilateral control. A change to an AFCA compensation cap would require a change to AFCA's Rules, public consultation and, as it would be a material change to the AFCA scheme, it would be subject to ASIC approval under s1052D of the *Corporations Act, 2001.*

You publish an 'extensive range of complaint resolution data' for insurers to learn from (page 41).

20. The systemic issues you are encountering suggest that insurers are not heeding the extensive advice provided to them. Is this the case?

[2] AFCA (2021) AFCA Independent Review: AFCA Submission, AFCA, p 51.
[3] See Independent Review, Analysis and Findings, p. 58.

AFCA’s experience is that insurers’ responses are mixed. Some readily accept AFCA feedback and guidance, making operational decisions both in terms of resourcing and systems changes, where appropriate and seeing significant improvement in their performance metrics while others lag both in the impact and timeliness of their response.

Certainly, improvement is still needed. In our observations, the insurers that have made the most material improvements are ones where there is strong Board reporting and governance around complaint performance and a 'top down' customer centric culture.

We think there is still a way to go in insurers’ approach to claims handling, particularly in terms of timeliness, focus on consumer vulnerabilities, and ensuring the process is as frictionless for the customer as possible.

ASIC says insurers’ IDR teams are still under-resourced, despite insurers being told last year to increase the numbers/capabilities of people in them. Also, the number of complaints going to AFCA keeps increasing, and consumer groups say that many of the cases that went to AFCA should never have ended up there.

21. All this suggests that insurers are outsourcing their dispute resolution responsibilities to AFCA. Is this a fair observation?

We agree that many if not most of the complaints that are lodged with AFCA should be resolved by insurers directly at IDR. We raised concerns with insurers that they were effectively outsourcing complaint resolution to AFCA. This is supported by looking at where in the AFCA complaints process the complaints resolve. If they resolve early at AFCA – they probably could have been resolved in IDR. Insurers should not plan for low value and single-issue complaints to come to AFCA as it costs them money in AFCA fees and creates frictions for their customers and their staff and extends the duration of complaint resolution.

However, it is important to note that consumers control the escalation process for complaints. We observe that many consumers, after languishing in a claims handling process for an extended period, will lose patience and confidence that their insurer can or will respond to their complaint efficiently, effectively and fairly. We also observe that many complaints lodged with AFCA have not been through IDR or are yet to complete IDR. This suggests that for some insurers the problems are upstream of IDR, such as not correctly identifying expressions of dissatisfaction or consumer awareness of an IDR process they can undertake. Broadly in our experience and observations, there is more work to be done. We support greater transparency of data around IDR, EDR and claims outcomes for general insurance.

In 2023, AFCA helped insurers while they were increasing their resources and addressing training and capabilities for these roles by agreeing to longer default time periods to respond to AFCA. As we revert to standard response times, insurers' responsiveness to complaints in AFCA case management has started to deteriorate.

This raises concerns for us about insurers' ongoing capacity to resolve complaints in a timely, efficient and effective manner, in line with ASIC and AFCA expectations.

We think there is an ongoing need for insurers to:

- increase resources in complaints and claims teams
- focus on appropriate staff training and capabilities
- streamline processes and investment in technology platforms to assist with streamlining
- increase authority to settle complaints
- shift internal culture to a resolution, consumer-centric mindset.

22. Do AFCA's fees need to rise significantly to encourage insurers to do better by their consumers and reduce the number of disputes going to AFCA?

AFCA has a user pays model that means that members pay proportionately to how they use our service – by volume and at what stage in our process the complaints resolve. The longer complaints take to resolve – the more expensive it is for the firm. We would rather firms spend resources on their claims and complaints teams than on AFCA fees.

In FY22 general insurers paid AFCA a little over $38.7 million for AFCA's EDR services. In FY23, general insurers paid more than $60.2 million in total fees, an increase of 9.07% from FY22.

AFCA is currently implementing increases to its fees for FY 2024-2025 in response to the significant increase in complaints we have received over the last few years. Based on complaint volumes and projected growth, AFCA's Board has approved an increase to our fees and charges in FY25 (from 1 July 2024). This decision reflects the effort and resourcing required to manage an unprecedented number of complaints. In line with our 'user-pays' funding model, the increase will be predominantly borne by high-use members through our user charge. Individual complaint fees will also increase.

Complaints have grown by more than 56% since FY22. In comparison, AFCA fees and charges have increased by just 23% (including CPI) – disproportionately lower than the growth in demand. Industry directly bears the cost of poor complaints performance whether it is in its claims handling or complaints handling processes and these costs are now crystallising particularly for AFCA's general insurance and banking members.

In its submission (No. 19), Hollard says it wants a 'formal avenue' by which to escalate complex cases to AFCA for 'immediate decision' (page 45 of that submission).

23. What is AFCA's view on this?

AFCA has existing processes for prioritising cases for decision, typically in circumstances of financial hardship, family violence or on compassionate grounds. These criteria relate to the circumstances of the complainant, not the member firm. It is not uncommon for member firms to request AFCA to expedite or prioritise a complaint and where it meets our criteria, we will do so. Given the existing arrangements in place, and as we are not aware that such arrangements are not working, AFCA has no plans to change its existing approach.

We urge firms to continue to discuss individual cases with us that they consider warrant prioritisation, as early in the AFCA process as possible, due to the particular circumstances of the complainant.

Of course, AFCA's role starts after the firms has tried to resolve the complaint from its customer directly, at IDR (as required under the *Corporation Act*). This means that firms can manage complaints from their customers directly and flexibly. We encourage firms to ensure they have the capability and resources to resolve their complex cases at IDR, and to make swift improvements to their IDR function to ensure they can do so. AFCA is the escalation point for complaints that firms have been unable to resolve at IDR, rather than for complaints that firms consider too complex and do not wish to resolve at IDR.

Firms can seek guidance from AFCA about our approach to resolving particular issues by reviewing our Approach documents and Fact Sheets available on our website, and through our published Determinations which set out how we address particular issues.