



29 September 2017

Committee Secretary
Senate Standing Committee on Economics
Department of the Senate
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Dear Secretary

Australian Financial Complaints Authority Bill 2017

The Westpac Group (**Westpac**) appreciates the opportunity to provide comments to the Senate Standing Committee on Economics (the **Committee**) Inquiry into the Treasury Laws Amendment (Putting Consumers First – Establishment of the Australian Financial Complaints Authority) Bill 2017 (the **Bill**).

In line with Westpac's vision to be one of the world's great service companies, helping our customers, communities and people to prosper and grow, Westpac is focused on delivering the right outcomes for our customers. This includes our commitment to improving the provision of dispute resolution for customers.

Westpac has also contributed to, and supports, the submission made by the Australian Bankers' Association (ABA) to the Committee.

One stop shop for EDR

As previously expressed through our participation in Treasury's Review of External Dispute Resolution and Complaints Schemes, Westpac considers that an accessible, effective, timely and efficient system for dispute resolution is central to the trust and confidence of customers in the banking system. Customers must have adequate forums to have their complaint heard and appropriate avenues for appeal. This includes both the internal dispute resolution (**IDR**) and external dispute resolution (**EDR**) mechanisms.

We support the establishment of the Australian Financial Complaints Authority (**AFCA**) which will help create a one stop shop for EDR and provide consistency for financial services providers and certainty for consumers across retail financial services in how disputes are resolved. The Financial Ombudsman Service has served the industry and consumers well, but it is timely to review and upgrade the approach to external dispute resolution in light of customer's experiences, the needs of industry, and changing community expectations about how disputes should be resolved.

Transition arrangements

We note that transition arrangements will be determined by the transition team led by Dr Malcolm Edey. We welcome finalisation and publication of transition arrangements as soon as possible to provide



certainty about the intended pathway to 1 July 2018 to enable financial service providers, consumer advocates and the existing EDR scheme operators a smooth transition to the new model.

Westpac, through its engagement in Treasury's Review of External Dispute Resolution and Complaints Schemes, has provided considerable input into how a 'one stop shop' EDR forum could operate in practice. It is important that prior work to improve the operation of EDR schemes is not lost, but rather used to inform the design of the AFCA's Terms of Reference (ToR). We would urge that the ToR be consulted on broadly. Westpac would value the opportunity to be engaged as these ToR are developed to help support the smooth transition to the new EDR scheme. In determining the transition arrangements to AFCA, we think there is merit in considering whether any changes to FOS' current Terms of Reference might help the industry to transition smoothly.

Material changes and directions to AFCA

We note that Division 2 of Part 7.10A of the Corporations Act will allow ASIC to approve material changes to the scheme, and will have a directions power enabling it to issue regulatory requirements relating to the performance of AFCA's functions, including increasing monetary limits for claims or remedies under the scheme. Westpac is of the view that fundamental features of the AFCA scheme such as monetary limits and value of claims should be set out in legislation. This is critical to avoid uncertainty for the banking industry. In addition, in exercising the directions power, or in approving material changes, it will be essential for ASIC to consult widely ahead of any proposed changes to understand the full impacts and any unintended consequences.

In accordance with principles of best practice regulation, Westpac anticipates ASIC will issue regulatory guidance on proposed use of the directions power and approval of material changes, informed by engagement with industry, consumer advocates and the existing EDR scheme operators. The guidance should clearly establish the type of changes ASIC will deem as 'material' as well as articulating those changes able to be made by the AFCA Board to enable the effective day to day operations of the scheme.

Monetary limits

Westpac supports AFCA having eligibility thresholds and monetary limits that are higher than FOS's current limits and believes AFCA should be able to deliver meaningful compensation where appropriate. As AFCA's Terms of Reference are drafted, it will be important to consider the definition of, and eligibility criteria for, small business. It follows that any increase to eligibility thresholds and monetary limits will also require an increase in funding and the capabilities of EDR schemes to examine and determine for example, more complex business lending disputes.

Internal dispute resolution

Westpac supports the enhanced IDR framework and the standardisation of IDR reporting. A number of specific initiatives have been undertaken within Westpac to deliver improvements in our standards of practice, service to customers and the management of complaints. Our existing IDR approach is underpinned by our Complaint Management Policy and our recently enhanced Consequence Management Framework. Our Complaint Management Policy is designed to ensure that all complaints received are dealt with genuinely, promptly, fairly and consistently. All incidents with a compliance impact, whether identified via EDR, IDR or any other identification source, follow the bank's incident management procedures.



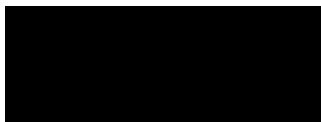
In late 2016, Westpac established a new role of the Westpac Group Customer Advocate. The Customer Advocate provides an avenue of independent review for retail and small business customers outside of standard review processes. The Customer Advocate reviews and makes binding decisions on Westpac about individual complaints where a customer is not satisfied with the resolution of their concern through IDR and has the authority to overturn decisions made by our IDR process. In this way, the Customer Advocate enhances our existing dispute resolution framework and ensures that our process is fair and transparent for customers. Westpac considers that customer complaints are an important source of information and feedback to us. They allow valuable opportunities for improvements to be identified and implemented across our business to improve customer outcomes.

The new reporting requirement for firms to provide IDR dispute data to ASIC will assist in enhancing transparency across the industry. To ensure the data requested by ASIC is consistent with the intent of the policy, the legislation should set out the focus of the reporting, and set parameters on what data should be collected, and the purposes it can be used for. Standardisation of key terms will be important for the reporting process to ensure the data is comparable across the industry.

Westpac appreciates the opportunity to provide our comments to the Committee and would welcome the opportunity to discuss these issues further. Should you require any further information, please contact [REDACTED] or by email at [REDACTED]

We look forward to working with Government, ASIC, the AFCA transition team and the AFCA board to ensure consumers have access to fair, timely and transparent dispute resolution.

Yours sincerely,



Brett Gale
Group Head of Government Affairs