

To: [Economics Committee \(SEN\)](#)

Subject: QoNs - ASIC

Date: Thursday, 12 October 2017

Please find below ASIC's response to a question on notice taken during our evidence.

Senator Ketter: You've already been asked questions about the history of rationalisation within the external dispute resolution system. Has there been any evaluation conducted of those outcomes? What were the benefits and drawbacks if any evaluation has been conducted? (p.51)

ASIC response:

Under the current framework, approved schemes must have regular independent reviews. This important requirement is carried over in the *Treasury Laws Amendment (Putting Consumers First—Establishment of the Australian Financial Complaints Authority) Bill 2017*.

In 2013, Cameronralph Navigator performed the first independent review of the FOS, following the merger of five predecessor schemes* into the FOS in 2008; and the commencement of the single FOS Terms of Reference in January 2010.

While the scope of this review was much broader than the impacts of scheme consolidation, the reviewers, in their analysis considered the merger implementation progress and FOS' operational context which included significant increases in volumes of complaints, changes to the law and FOS's jurisdiction and extensive organisational growth and change.

This review, led to significant change to FOS jurisdiction and processes and provided an important road map for the post merger evolution of the scheme.

The Review involved a six month detailed assessment of FOS's operations against the ASIC Regulatory Guide 139 benchmarks of accessibility, independence, fairness, accountability, efficiency and effectiveness. It also assessed FOS's jurisdiction and dispute resolution process. The review found significant improvements in key aspects of FOS performance including:

- professionalisation of FOS's operations
- the clarity and quality of decisions
- stronger, more transparent measurement of performance
- systematic approach to engagement with stakeholders
- lifting the standard of financial, administration and human resource management.

The reviewers found that for all the improvements in many areas, some fundamental aspects of FOS' performance were not meeting stakeholder expectations.

The key conclusion was that "the current FOS organisational model had reached the end of its effective life and to meet [stakeholder] expectations, must move to its next stage of evolution" (p.8).

The reviewers "argue that the next era for FOS requires a move to smaller, vertically integrated and more flexible teams - not 'back' to the vertical sector silos of the past" (p.8).

The Independent Review made 33 recommendations and five main imperatives for change over short, medium and longer term timeframes.

The key recommendations related to the need to reduce the dispute backlogs and reshape processes to reduce the time taken to resolve disputes.

In response to the FOS Board endorsed recommendations, the FOS board consulted broadly on a new streamlined dispute process which was introduced on 1 July 2015 and made a number of changes to its jurisdiction.

Key changes included:

- Changes to the scheme terms of reference to make process improvements
- Changes to the scheme's jurisdiction
- Preparation of additional internal and external guidance for members and applicants
- Training and personnel changes
- Improved communications
- Changes to increase transparency and reporting

Responding to and implementing these changes saw FOS eliminate a significant backlog in case management by the end of 2014 and across all dispute areas by June 2015.

<https://www.fos.org.au/custom/files/docs/independent-review-final-report-2014.pdf>

kind regards, Clare