

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**

Supplementary Budget Estimates 1 - 2 November 2006

**Question:**                **sbt 62 (ASIC)**  
**Topic:**                    **Dispute Mechanisms**  
**Hansard Page:**        **E21**

**Senator SHERRY asked:**

Okay. In terms of alternative disputes, are there any other dispute mechanism that exist if FICS did not exist?

**Mr Lucy**—Are you talking about the Westpoint environment?

**Senator SHERRY**—No, generally.

**Mr Rodgers**—There is the statutory dispute mechanism, the Superannuation Complaint Tribunal. I cannot be certain of the exact number, but there are four or five, perhaps six schemes that we have approved under our powers under the act.

**Senator SHERRY**—Could you take that on notice and provide me with just a brief overview of them?

**Mr Rodgers**—Yes.

**Answer:**

The statutory Superannuation Complaints Tribunal operates outside ASIC's approval purview.

As at 11 March 2004, ASIC had approved the following seven external dispute resolution schemes, which deal with a total of approximately 125,000 consumer enquiries and about 7,000 – 8,000 formal consumer complaints per year:

**1.        *Financial Industry Complaints Service ('FICS')***

FICS commenced in 1991 (as the Life Insurance Complaints Service) and strongly supported the implementation of financial services reform by accepting many of the 'new' Australian financial services licensees arising out of the reforms. FICS' membership now exceeds 2,500 licensees. FICS has the broadest membership base, which includes life insurance companies, stockbrokers, funds managers, timeshare schemes, and financial advisers.

The monetary limit for financial advice complaints at FICS is \$100,000. In 2005, FICS received 1,781 new complaints and 17% of these were about income protection insurance (largest single product complained of).

FICS operates a tri-partite Panel to determine complaints above a certain monetary threshold. The Panel has a consumer representative, industry representatives and an independent Chair.

All FICS determinations are published.

**2.        *Banking and Financial Services Ombudsman (now BFSO)***

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BFSO commenced in 1992 (as the Australian Banking Industry Ombudsman). BFSO received more than 6,326 new complaints in 2004/05 and 37.5% of closed complaints in that period related to consumer finance. BFSO has operated a monetary limit of \$250,000 since December 2004. This limit will increase to \$280,000 in 2007.

BFSO's members have traditionally been from the retail banking sector; however, from 2002, BFSO extended membership to the related entities of bank members and also to non-bank members.

BFSO publishes extensive guidelines to the Terms of Reference and regular Bulletins.

BFSO does not publish its decisions, as the Ombudsman rarely, if ever, has to make a binding Award.

#### **3. *Insurance Ombudsman Scheme (now IOS)***

IOS commenced in 1991 and deals with complaints about general insurance providers. As of 1 January 2007, the binding IOS monetary limit will increase from \$150,000 to \$280,000.

Like FICS, IOS operates a tri-partite decision making Panel to determine disputes (over \$5,000). If an insurer alleges fraud on the part of the insured, then the matter will be dealt with by a specialist Referee. Uninsured third parties involved in motor accidents can also access the scheme for free to determine a complaint up to \$3,000.

In 2004/05 IOS received more than 64,000 enquiries and 1667 new complaints (or 'referrals'). 35% of these complaints related to motor vehicle policies.

#### **4. *Insurance Brokers Disputes Limited ('IBD')***

IBD commenced in 1996. It is a relatively small scheme and deals with complaints about (general) insurance intermediaries. IBD generally receives less than 100 complaints per year, and it has more than 800 members including about 25 extended warranty providers. It has a monetary limit of \$50,000.

#### **5. *Credit Union Dispute Resolution Centre ('CUDRC')***

CUDRC commenced in November 1996 and has over 100 credit union members. CUDRC operates a monetary limit of \$100,000 and generally receives 200 disputes per year. The management of this scheme is outsourced to the BFSO.

#### **6. *Financial Co-operative Dispute Resolution Service ('FCDRS')***

FCDRS commenced in April 2004 and has about 30 credit union and 14 building society members. FCDRS operates a monetary limit of \$100,000 and receives less than 100 complaints each year.

#### **7. *Credit Ombudsman Service Limited ('COSL')***

COSL commenced in 2003 and has the largest membership (over 6,000) of any of the approved external dispute resolution schemes. Generally, COSL members are not required to be licensed by ASIC and are not bound by mandatory external dispute resolution scheme membership requirements under the *Corporations Act*. COSL's

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members include mortgage originators, mortgage brokers and other credit and mortgage intermediaries. COSL operates a monetary limit of \$100,000 and at this time receives approximately 200 complaints each year.