

COSL Consumer News | Issue 1 June 2013

Topics in this Issue

- COSL at a glance
 - Recent complaint statistics
 - New COSL website
 - Complaint decisions released on COSL website
 - Financial Counselling Australia Conference and External Dispute Resolution Forum
 - Tips from the Ombudsman for consumers experiencing financial hardship
 - Case study: how we can help a consumer in financial hardship
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COSL at a glance

In the past 12 months, complaints from consumers increased by 33%. Despite this, we improved our overall timelines, with the average age of open complaints falling by 26 days (currently 158 days) and the median age of open complaints falling from 119 days to 97 days. Therefore, half the complaints we are currently investigating were received less than 3 months ago.

74% of all complaints closed in the past 12 months (which were within our jurisdiction) resulted in favourable outcomes for consumers. These include payment variations on grounds of financial hardship, fee reductions and refunds, monetary compensation and non-monetary orders (such as amending or removing a credit listing or returning a security asset to the consumer's possession). In terms of monetary outcomes, consumers received compensation exceeding \$3.9 million.

In recent months, we have increasingly promoted our services to vulnerable and disadvantaged consumers. Our case managers also attended training courses in order to better understand the needs of disadvantaged consumers, such as those with mental health issues. We have engaged extensively with community support networks including community centres and financial counsellors by distributing information packs with financial hardship brochures and other guides at consumer forums. These are available to all consumer advocacy services and groups across Australia. For copies of our information packs, please contact our customer liaison team on 1800 138 422 or by email at info@cosl.com.au.

Recent complaint statistics

In the first quarter of 2013, we received over 2,423 enquiries, averaging 800 enquiries per month. In the same period, consumers lodged 959 complaints with us. This is a 41% increase from the same period last year and a 103% increase from the same period in 2011.

Most complaints were about mortgages (29.5%), personal loans (28.6%), credit-related services

(15.9%) and credit cards (13%).

As in previous years, complaints involving an application for financial hardship relief (e.g. a payment arrangement or time to sell the home) continue to represent at least one-third of all complaints we receive. These are given first priority because of the difficult personal circumstances of applicants and the potential for the equity in their home to be further eroded by arrears and default fees. Common causes for financial hardship include unemployment or reduced income, illness, business failure, relationship breakdowns and increases in living costs.

We resolved 853 complaints in the first quarter of 2013. This represents a 35% increase compared to the same period in 2012, and 99% compared to the same period in 2011.

57% of complaints were resolved within three months of receipt and 80% within six months. Significantly, these timelines include periods when the complaint was referred back to the financial services provider because it had not had the opportunity to first address the complaint. We continue to look for ways to process complaints faster without compromising the quality of our decision-making process.

New COSL website

This month, we launched our new website at www.cosl.com.au. The new online hub will foster more effective communication and engagement with our stakeholders and the general public.

The new website will provide a quicker and more user-friendly service to consumers and FSPs.

Anyone can use our website's search function to identify and contact the person nominated by the FSP to deal with complaints. This is particularly useful where the consumer only knows, or has only been dealing with, an employee or other representative of the FSP.

If the FSP is unable to address consumer's concerns, the consumer can make a real-time online complaint to us.

The improved functionality of the website, including its site navigation and layout, offers consumers and FSPs a far simpler and quicker way to find information and guidance. Users can make a complaint, join COSL as a scheme participant or otherwise access our information services.

To find out more about our services, visit www.cosl.com.au or contact a COSL team member on 1800 138 422.

Complaint decisions published on COSL website

We have published some of our recent decisions on our new website, but on a de-identified basis. We hope this will provide consumers and FSPs with an insight into how COSL approaches particular issues and reaches its decisions. Decisions published so far cover issues such as unjust contracts under the Consumer Credit Code, unconscionable conduct in lending, unauthorised transactions on a credit card account and breaches of Consumer Credit Code key requirements.

To access these decisions, go to www.cosl.com.au/publications/decisions/.

Financial Counselling Australia Conference and External Dispute Resolution Forum

We participated in the Financial Counselling Australia (FCA) Conference and External Dispute Resolution (EDR) Forum in Sydney, held on 21 - 23 May 2013. The event was well-attended by more than 270 financial counsellors, community sector workers, government representatives and representatives from EDR schemes.

The two-day FCA Conference covered current topics such as the upcoming credit reporting reforms, mental health, bankruptcy, economic abuse and issues leading to financial hardship such as gambling.

Along with other schemes, COSL sponsored the EDR Forum at which COSL's case managers presented case studies on financial hardship and explained our complaint handling process generally.

Tips from the Ombudsman for consumers experiencing financial hardship

It is likely that a borrower will encounter a significant change in their financial circumstances at least once during the term of their home loan. Financial hardship can be caused by a number of factors – from a lender increasing its interest rates, but, more frequently, from changes in a consumer's personal circumstances, such as a family break-up, death of a partner, workplace injury, unemployment or illness.

Anyone finding it difficult to meet their loan payments should discuss their situation with their FSP as soon as possible. The FSP is generally able to consider and offer more options if these discussions take place early.

Most FSPs deal with consumers experiencing some form of financial hardship on a regular basis and are generally able to assess an application and arrive at a mutually acceptable arrangement quite quickly. The most common outcomes are a negotiated variation to loan payments and allowing the consumer time to sell the property themselves. However, consumers should also seek advice from a financial counsellor or community legal centre. If the FSP declines an application for financial hardship relief, the consumer can lodge a complaint with us without charge.

Case study: How we can help a consumer in financial hardship

In a recent case, a consumer in financial hardship had been waiting for a total permanent disability (TPD) claim to be processed by his insurer, the proceeds of which were to be applied to the arrears accruing on his home loan. The financial services provider (FSP) obtained default judgment against the consumer and instructed the sheriff to serve a notice to vacate. The eviction was scheduled for 26 April. The consumer lodged a complaint with us on 3 April, claiming that he could in fact pay his loan, but needed more time for his TPD claim to be processed.

In very limited circumstances, COSL will require a FSP to stop an eviction. In the present case, we facilitated the following resolution:

- the FSP withdrew its instructions to the sheriff and the eviction was postponed, giving adequate time for the consumer's TPD claim to be processed

- in consideration of this, the consumer agreed to make partial loan repayments of \$375 per fortnight until he was able to use the TPD proceeds to repay the loan. The consumer also agreed to contact the FSP immediately if he needed further extensions due to delays outside his control.

For more information on when we would require an FSP to stop an eviction, please refer to our Position Statement 3 – Stay on Execution of Default Judgment Orders.

Promoting IDR more effectively in written communication

We would to remind our members that they should ensure they promote their internal dispute resolution procedure effectively. This is particularly important when COSL's contact details are listed on the same page. Members should make it clear they are the first port-of-call for complaints.

ASIC's guidance for new hardship obligations

ASIC has updated information to assist industry meet new hardship obligations under the *National Consumer Credit Protection Act 2009* (National Credit Act). Under the new obligations credit providers have set time frames in which to respond to hardship notices by consumers. For further details, please visit [ASIC's website](#).

More about this Update

COSL releases a member update on a monthly basis.

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