

Credit Ombudsman Service

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The Credit Ombudsman Service Limited (COSL) has released its Annual Report on Operations for 2009/2010.

**COSL's Annual Report
on Operations**

Links:

<http://cosl.com.au/Annual-review-of-operations>

<http://cosl.com.au/Resources/COSL/Files/AnnualReportOnOperations-2010.pdf>



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Media Release Issue 14 – 2010 Annual Report

Key highlights for the year include:

- Financial hardship cases continue to feature as the single largest source of complaints.
- Membership has increased by a whopping 46% to 12,724 (closer to 13,700 as of today)
- More than 10,000 enquiries were received
- 1,154 complaints were received in the year ending 30 June 2010 (up 8.3%)
- In the first quarter of July to September 2010, there was a 85% increase in complaints received compared to the corresponding period last year
- A total of 1,111 cases were closed during the year, a 14.7% increase from the previous year, and a 46.4% increase from the year before that.

Mr. Raj Venga, Credit Ombudsman, attributed the significant increase in COSL's membership to new Commonwealth credit legislation requiring businesses operating in the credit sector to join an alternative dispute resolution scheme approved by ASIC.

"About 30% of complaints we received related to financial hardship (almost unchanged from the previous year). Financial hardship typically arises where there's been a significant change in a consumer's financial circumstances (such as family break-up, death of spouse, illness, injury or unemployment). The on-going effects of the global financial crisis certainly didn't help" observed Mr Venga.

According to Mr Venga, the borrower has either been served with a default notice or the lender has commenced legal proceedings in about 85% of cases.

"Most borrowers are therefore not seeking much-needed assistance earlier on in their financial hardship. This is a pity because lenders have more options available to them and tend to be more amenable to vary payment terms when approached early" explained Mr Venga.

COSL's Annual Report on Operations also sets out, for the first time, the number of complaints that are made against named members.

"We have included an explanatory statement to give some context to the report by explaining to readers that the number and nature of complaints we receive about our members may be influenced by a number of factors, some of which are beyond their control", cautioned Mr Venga.

"For example, the dramatic fall in the Reserve Bank's official cash between August 2008 and May 2009 encouraged numerous borrowers to break their fixed interest rate loans in favour of variable interest rate loans. Unfortunately, these borrowers almost invariably incurred break cost fees, most of which were significant (although almost all of which were found to have been legitimately charged). Similarly, an increase in unemployment and under-employment during and after the global financial crisis meant that financial hardship applications were the single largest source of complaints we received" added Mr Venga.

"It may well be the case that the total number of complaints received by a particular member is miniscule when compared to the size of their business" Mr Venga concluded.

Editors please note:

1. COSL's Annual Report on Operations can be viewed at: www.cosl.com.au.
2. COSL is an alternative dispute resolution scheme approved by the Australian Securities and Investments Commission to provide consumers with an alternative to legal proceedings for resolving financial services-related disputes with members of COSL.
3. The membership of COSL includes finance brokers, non-bank lenders, building societies, finance companies, credit unions, aggregators, mortgage managers, and financial advisers.
4. For more information: members@cosl.com.au or 02 9273 8455