

# Credit and Investments Ombudsman Limited

**ABN 59 104 961 882**

## **ANNUAL REPORT 2017**

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## Corporate Information

The Credit and Investments Ombudsman Limited (**the Company**), formerly known as Credit Ombudsman Service Limited ('COSL'), is a company limited by guarantee, not having a share capital.

The Company operates the Credit and Investments Ombudsman, an external dispute resolution (**EDR**) scheme approved by the Australian Securities and Investments Commission (**ASIC**) and recognised by the Office of the Australian Information Commissioner (**OAIC**).

The Company deals with complaints in relation to 'Financial Services'. This is broadly defined under the Rules of the Credit and Investments Ombudsman (**CIO**) so as to allow the following to become members of CIO (Members).

- holders of Australian Financial Services Licences (AFSL) and Australian Credit Licences, and the authorised credit representatives of the latter,
- accountants who hold a "limited" AFSL to allow them to provide certain types of financial services, such as advice on self managed superannuation funds, and
- credit reporting bodies and 'credit providers' as defined by the Privacy Act, including trade creditors, commercial credit providers and store card issuers who are not otherwise required to be members of an EDR scheme under legislation.

The Company's primary aim is to provide consumers and Members with an alternative to legal proceedings for resolving finance-related and privacy disputes.

In doing so, ASIC's Regulatory Guide 139 requires CIO to:

- provide its services at no cost to consumers, and
- be impartial, independent and accessible.

### Board of Directors

The Board of Directors of the Company is responsible for overseeing the operations of CIO, for ensuring independent decision-making by the Ombudsman and his staff, and for preserving the independence of CIO.

Under its Constitution, the Board of Directors of the Company comprises:

- an independent Chairman appointed by the Board,
- not less than one and not more than three Member Directors appointed by the Board to represent the Members of the Company, and
- not less than one and not more than three Consumer Directors appointed by the Board to represent the interests of consumers.

### Ombudsman

The Ombudsman:

- has overall management responsibility for CIO,
- is empowered to make Determinations and issue binding Awards in relation to consumer complaints made against Members,
- is responsible for establishing systems and procedures to maintain efficient and effective operations in accordance with the Rules of CIO, and

- has all the other powers, functions and duties conferred by the Company's Constitution and the Rules, and as conferred and delegated by the Board from time to time.

### **Independence in decision-making**

The decision-making process and administration of CIO are independent of the sectors of the industry which provide its funding.

The Ombudsman and staff of CIO are:

- entirely responsible for the handling and determination of complaints, and
- accountable only to the Board of Directors.

### **CIO Rules and Guidelines**

Complaints about Members are dealt with by CIO in accordance with the Rules and Guidelines promulgated by the Board.

### **Consumer and Member communications**

The Company maintains its website at [www.cio.org.au](http://www.cio.org.au).

The website:

- publicises its Annual Report on Operations, Position Statements, public submissions, Determinations, case studies, newsletters and media releases,
- has a dedicated Membership section for information about CIO membership, applicable fees, complaint processes and Member resources,
- allows a person to check if a financial service provider (**FSP**) against whom they have a complaint is a Member of CIO or a representative of such a Member,
- allows consumers to lodge complaints online, and
- allows access to corporate information about CIO, such as its Constitution, Rules, Guidelines and Annual Report.

### **Contact Information**

#### Membership

PO Box A252  
Sydney South NSW 1235  
Phone: (02) 9273 8455  
Fax: (02) 9273 8445  
Website: [www.cio.org.au](http://www.cio.org.au)  
Email: [members@cio.org.au](mailto:members@cio.org.au)

#### Case Management

PO Box A252  
Sydney South NSW 1235  
Phone: (02) 9273 8400  
Interstate callers: 1800 138 422  
Fax: (02) 9273 8440  
Website: [www.cio.org.au](http://www.cio.org.au)  
Email: [info@cio.org.au](mailto:info@cio.org.au)

## Chairman's Report

### Mark Scanlon Chairman of the Board

On behalf of the Board of the Credit and Investments Ombudsman, it is with pleasure that I present the Board's Report on Operations for the 2016/2017 year.

CIO continues to play an exemplary role in resolving complaints in the consumer credit and financial services sector. It employs about 80 dedicated staff who are focused on helping consumers resolve their complaints with any of its 24,000 participating FSPs.

CIO received more than 25,000 enquiries and almost 6,000 complaints in the reporting year. This is 17 times or 1,600% the number of complaints CIO dealt with just ten years ago.

However, CIO's continued role in the sector is under a cloud. The government seems intent on hastily pushing through legislation which would replace CIO, the Financial Ombudsman Service (FOS) and the Superannuation Complaints Tribunal (SCT) with a single ombudsman scheme to be known as Australian Financial Complaints Authority (AFCA), as from 1 July 2018.

Although it is being touted as being something entirely new, AFCA is old wine in a new bottle – it will essentially have the same powers and jurisdiction as CIO, FOS and the SCT. It is no more than a rebadging exercise to suit a political agenda.

It should concern us all deeply that AFCA's authorisation will, in reality, never be revoked for poor performance or maladministration given it will be the only financial services complaint body available to consumers. Tens of thousands of consumers would otherwise be left with absolutely no redress against financial firms except through costly legal proceedings. The lack of an effective sanction against mismanagement or governance dysfunction brings into question the accountability of AFCA to its stakeholders.

EDR is all about resolving disputes efficiently and appropriately. A single ombudsman scheme will be less effective in achieving these objectives because:

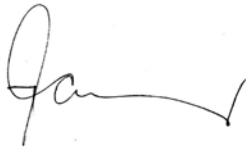
- as a monopoly, it will be less accountable to stakeholders and have less incentive to innovate as CIO has done in the past,
- it will be prone to higher costs and ineffectiveness in the absence of any comparative tension between two 'competing' schemes and given AFCA will not be able to benchmark its performance against a like scheme, and
- the interests of smaller financial forms will be swamped by those of the major incumbents to the detriment of a competitive and innovative financial sector.

The government has sadly passed up a wonderful opportunity to think expansively about the real and emerging issues being faced by real people and the businesses that they deal with, and the ways that EDR can best assist all parties to resolve disputes quickly, fairly and cost effectively.

### Acknowledgements

I extend my thanks to my colleagues, Ms Loretta Kreet and Ms Amanda Barker (Consumer Directors) and Mr Thomas Beregi and Mr Matt Lawler (Industry Directors) for their valuable contribution to CIO's governance and strategic direction.

I would also like to recognise and thank our Chief Executive Officer and Ombudsman, Raj Venga, for his unwavering commitment to the role.

A handwritten signature in black ink, appearing to read 'Mark Scanlon', with a stylized flourish at the end.

Mark Scanlon  
Chairman  
19 October 2017

## Chief Executive's Report

### Raj Venga Ombudsman and Chief Executive

#### Highlights for 2016/17

- We received more than 25,000 phone calls and almost 6,000 complaints
- Our website was visited 150,000 times
- We closed 5,642 complaints
- 20% of complaints related to financial hardship and 26% related to credit reporting
- 61% of complaints were resolved within 3 months of receipt (which includes the period during which the complaint was dealt with by the FSP in IDR), and 80% were resolved within six months
- 39 definite systemic issues and 11 serious misconduct issues were identified.

#### CIO's decision making

In the 2016/17 financial year, 61% of complaints received by CIO were resolved in the consumer's favour. The results of our regular surveys for 2016/17 indicate that 73% of consumers and 61% of FSPs were satisfied with our services. This is a good result considering that a significant number of consumers who responded to the survey did not have a decision in their favour.

#### File audits

As part of our quality assurance program, our Risk and Compliance team audits a selection of closed files, focusing on those that may have generated a degree of negative feedback (through our surveys or other means).

Of the 81 closed files we reviewed in 2016/17 using this risk-based approach, there was no change to the outcome in 96% of these. Even where there is no reason to change the outcome, this is a valuable opportunity to identify ways in which we can better explain our process and outcomes to consumers and FSPs.

The reviews are conducted independently of CIO's case management function, and the team reports directly to me. Where appropriate, a case may be re-opened and reviewed by that team.

These reviews are also an opportunity to ensure case managers are following internal processes and guidelines. Monthly audit reports are provided to the Ombudsman and Case Management, and are used within teams for training and development. Quarterly reports are also provided to the CIO Board.

#### Systemic issues and serious misconduct investigations

As an EDR scheme approved by ASIC and recognised by the Office of the Australian Information Commissioner (OAIC), we are required to investigate any systemic issues or serious misconduct that we identify when dealing with complaints. These issues, which have the potential to cause widespread or serious harm, are managed separately to our standard complaints process.

Over the last 12 months, this important area of our work produced some valuable outcomes, both for consumers and for industry, such as:

- refunds or compensation of approximately \$180,000 being paid to consumers,
- significant improvements to FSPs' policies and procedures in relation to responsible lending, financial hardship, disclosure and complaint handling,
- further training of FSP staff, and
- the expulsion of three FSPs for serious misconduct.

We communicate the general trends and themes from our investigations to our stakeholders to promote transparency and accountability around our work.

### Internal Dispute Resolution

If the FSP has not had an opportunity to address the complaint, we still register the complaint but refer the complaint to the FSP in the first instance. We invite consumers to refer their complaint to us if the FSP's IDR response does not resolve their complaint to their satisfaction. We will contact the consumer if the maximum IDR timeframe has elapsed and we have not heard back from them.

If we do not hear from the consumer after the expiration of the maximum IDR timeframe, we follow up the consumer to ascertain whether the complaint is resolved or whether they would like to escalate the complaint to us.

### Here to help

A CIO case manager has carriage of the complaint for as long as the complaint remains open. This means that, as far as possible, consumers and FSPs are not having to deal with different case managers over a period of time.

Case managers are encouraged to use the phone as much as possible to update the parties, explain the strengths and weaknesses of each party's relative position and conciliate outcomes. Our experience indicates that many consumers and FSPs relate better to having someone on the other end of the phone, rather than having to read email or other communication.

Case managers also phone consumers before sending a written decision. Decisions and recommendations are also always put in writing so as to limit the scope of any misunderstanding by consumers or FSPs. If a consumer is not happy with a decision, the consumer is invited to ask for the decision to be reviewed by the Ombudsman.

Our case managers, almost all of whom are legally qualified, are able to articulate to consumers the relevant issues, inform both the consumer and the FSP of the relative strengths and weaknesses of their respective cases and the possible remedies, keep them updated on the progress of our investigations and assist them through our process.

Critically, the experience and active role played by our case managers ensures that consumers do not need to be legally represented in order to access and effectively navigate CIO.

### CIO's Consumer Liaison Committee

CIO established a Consumer Liaison Committee (CLC) as a crucial component of CIO's accessibility and stakeholder engagement strategy. The CLC, comprising nine consumer bodies across Australia, is intended to provide a platform through which

CIO and consumer representative organisations can formally consult and collaborate on matters in the EDR environment.

### Engagement

Our outreach program promotes an awareness of CIO's services among consumers, particularly those who do not have the knowledge, resources, or skills to access our scheme. In 2016/17 we focused on Aboriginal and Torres Strait Islander consumers, people from culturally and linguistically diverse (CALD) communities, low income earners, and seniors.

We worked closely with community service providers, such as financial counsellors and community legal centres, to reach consumers through existing support networks. To make our services more accessible to consumers from a CALD background, we host webpages with complaint forms in 22 languages. We also added translations of our financial hardship guide in selected community languages. To better assist hearing impaired consumers, we produced a video clip in Australian sign language (Auslan) about our services, which can be found on our homepage.

### CIO Staff

Our staff are critical to our vision and we have a strong commitment to diversity through promoting inclusive workplace policies and practices that foster dignity, respect and acceptance. This is reflected in our people who are well represented across educational backgrounds, career experiences, talents, cultures, age, lifestyle choices, gender and ethnicities, enabling them to better engage, and provide a valuable service to our consumers and members.

Our core values of fairness, trust, professionalism, passion and excellence aim to define our interactions with consumers, members, colleagues and stakeholders.

I am honoured to lead my people who are key to CIO's continued growth and success.

I would also like to express my appreciation to my Board of Directors. Their wholehearted support and guidance throughout the year has been instrumental in CIO's continued success.



R Venga  
Chief Executive Officer and Ombudsman  
19 October 2017



## Directors' Report

Your Directors submit their Directors' Report for the Financial Year ended 30 June 2017. This report is made in accordance with a resolution of the Directors passed on 19 October 2017.

### 1. Directors

The names of the Directors and the periods during which they were in office during the financial year, as of the date of this Report, are:

Mark Edward Scanlon (whole year and current) – Chairman

Loretta Kreet (whole year and current) – Consumer Director

Thomas George Beregi (whole year and current) - Member Director

Matt Lawler (whole year and current) - Member Director

Amanda Barker (whole year and current) - Consumer Director

### 2. Nature of the Company's operations and principal activities

The principal activity of the Company during the financial year was to operate as an EDR scheme in the financial services industry. The Company's membership includes finance brokers, non-bank lenders, building societies, mutual banks, credit unions, time-share operators, financial planners, finance companies, debt purchasers, small amount lenders, aggregators and mortgage managers.

The Company was approved to operate as an EDR scheme by the Australian Securities and Investments Commission on 17 December 2003 and was recognised as an EDR scheme for privacy-related complaints by the Office of the Australian Information Commissioner on 29 January 2014.

### 3. Review of operations

The operations of the Company during the year resulted in a loss of \$273,081.

### 4. Significant changes in the Company's state of affairs and principal activities

During the financial year, the Federal Government expressed an intention to replace the Company, the Financial Ombudsman Service Limited (FOS) and the Superannuation Complaints Tribunal (SCT) with a single body - the Australian Financial Complaints Authority (AFCA). This may bring the operations of the Company to an end on 30 June 2018.

### 5. Significant matters or circumstances since balance date

The Government has since introduced a Bill into the Senate which, if enacted in its present form, will replace the Company, FOS and the SCT with AFCA. As of the date of this Directors' Report the Bill has not been passed.

6. Likely developments in the Company's operations in future financial years

If the operations of the Company come to an end on 1 July 2018, the Company will maintain the present status and level of operations up until 30 June 2018.

7. Environmental regulation and performance

The Company is not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

8. Dividends

The Company's Constitution prohibits the paying of any dividend or distribution to Members and no dividend or distribution was paid to any Member during the financial year.

9. Company officers

During the year, no officer of the Company was a partner in an audit firm or a director of an audit company that is an auditor of the Company.

10. Options

The Company is a company limited by guarantee without a share capital and therefore, no options were or were able to be granted over unissued shares or unissued interests.

11. Indemnities and insurance

During the year no indemnities were given for any person who is or has been an officer or auditor of the Company. Commercial confidentiality prevents the Company from disclosing the cost of directors' and officers' insurance cover. The Company did not pay any insurance premiums in respect of insurance for auditors.

12. Remuneration and benefits

No Director or other officer of the Company has during the year or since the end of the year received or become entitled to receive any benefit other than those benefits included in the aggregate amount of emoluments received or due and receivable by the Directors and other Officers as shown in the Company's accounts.

13. Directors' and Secretary's qualifications, experience and special responsibilities

ME Scanlon - Chairman

B.Bus (Accounting) MBA (RMIT) FAICD FCPA.

Company Director

L Kreet - Consumer Director

B.Ec LL.B.

Senior Solicitor, Legal Aid Queensland

T Beregi - Member Director

B.Ec (Accounting) LL.B(Hons) CPA

Chief Executive Officer, Credit Corp Group Limited

M Lawler - Member Director

DipFinPlan, GradDipFinMarkets (FINSIA)

Industry Director

A Barker - Consumer Director

DipBus, DipFinCounselling, DipCounselling

General Manager Community & Diversity, Carlton Football Club

RA Venga - Secretary

LL.B (Hons) LL.M FAICD FAIM

Chief Executive Officer, Credit and Investments Ombudsman Limited.

14. Meeting attendance

<b>Name</b>	<b>Meetings held whilst a Director</b>	<b>Meetings Attended</b>
Mark Edward Scanlon	6	6
Loretta Kreet	6	5
Thomas George Beregi	6	5
Matt Lawler	6	6
Amanda Barker	6	6

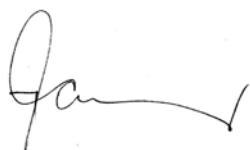
15. Proceedings on behalf of the Company

During the year, no proceedings were either commenced by or against the Company and accordingly no application for leave under section 237 of the Corporations Act 2001 was made.

16. Registered membership

As at 19 October 2017, the registered membership of the Company was 24,690.

On behalf of the Board



M Scanlon  
19 October 2017