



External Dispute Resolution: Results of a Survey of Financial Counsellors

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Financial Counselling Australia (FCA) is the peak body
for financial counsellors in Australia.

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About Financial Counselling

Financial counsellors assist people in financial difficulty. They provide information, support and advocacy to help consumers deal with their immediate financial situation and minimise the risk of future financial problems. The majority of financial counsellors work in community organisations, although some are employed by government. Their services are free, confidential and independent.

Financial Counselling Australia

FCA is the peak body for financial counsellors in Australia. FCA's member groups are the eight State and Territory financial counselling associations.

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1. Purpose of the Survey

As part of the joint consumer submission to the current review of external dispute resolution schemes,¹ Financial Counselling Australia (FCA) surveyed financial counsellors on their experiences in dealing with the Financial Ombudsman Service (FOS) and the Credit and Investments Ombudsman (CIO). The purpose of the survey was to understand the experiences of financial counsellors with the schemes, and to ask their opinion as to whether or not the two schemes should be merged.

2. Methodology

FCA prepared a short five-question survey using SurveyMonkey and provided this link to financial counselling state peak bodies who then sent it to the financial counsellors in their States and Territories. The survey is included in Appendix 1.

197 financial counsellors started the survey, a response rate of 25%. Of this group, 66% (122 people) had lodged at least one dispute with either FOS or the CIO and continued with the survey. The other financial counsellors were exited from the survey at that point. The survey respondents were from all States and Territories, as shown in the table below.

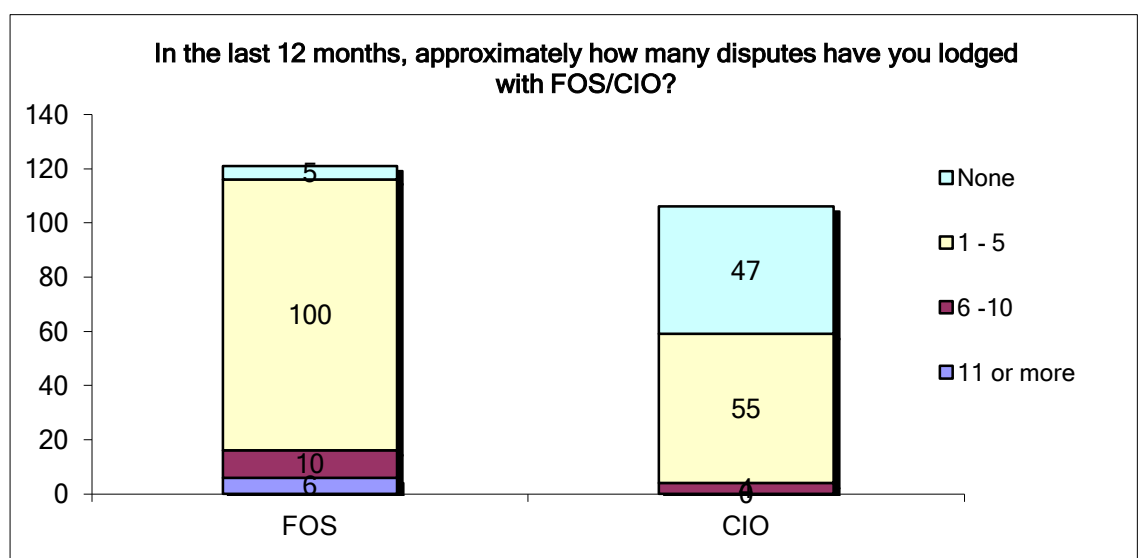
In which State or Territory are you located?		
Answer Options	Response Percent	Response Count
ACT	1.5%	3
NSW	30.5%	60
NT	2.5%	5
QLD	9.1%	18
SA	19.3%	38
TAS	0.5%	1
VIC	23.9%	47
WA	12.7%	25
	answered question	197
	skipped question	0

¹ Review of the Financial System Dispute Resolution Framework. This review was announced by the Australian Government on 20th April 2016.

3. Results

3.1 How often are financial counsellors accessing FOS and the CIO?

As shown in the graph below, financial counsellors deal more commonly with FOS than the CIO: of the financial counsellors who answered this question 96% had lodged a dispute with FOS in the past 12 months and 56% had lodged a dispute with the CIO in the past 12 months. The most common number of disputes lodged for both schemes was between one and five.

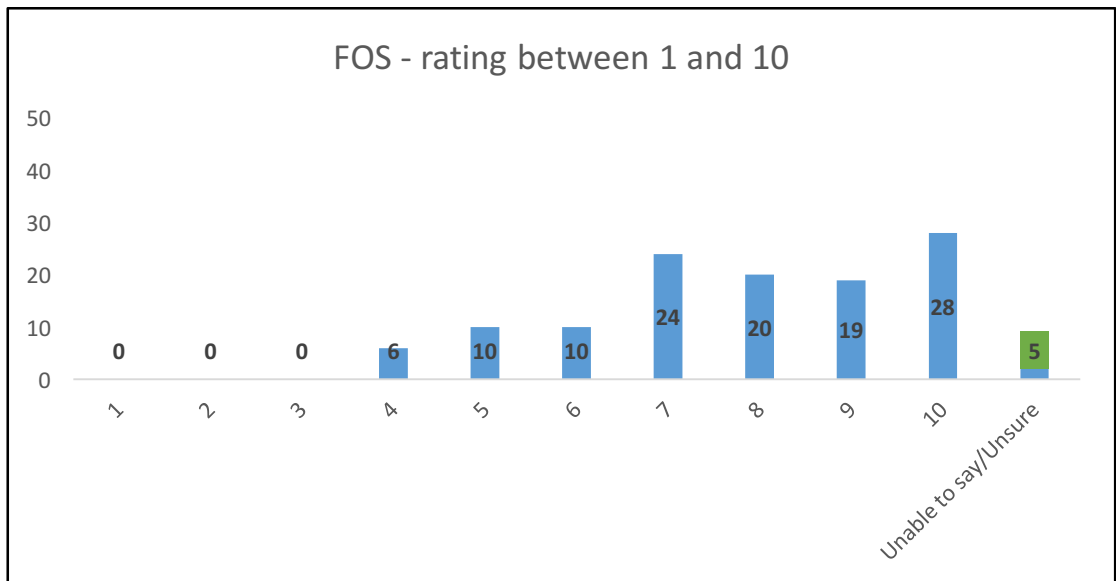
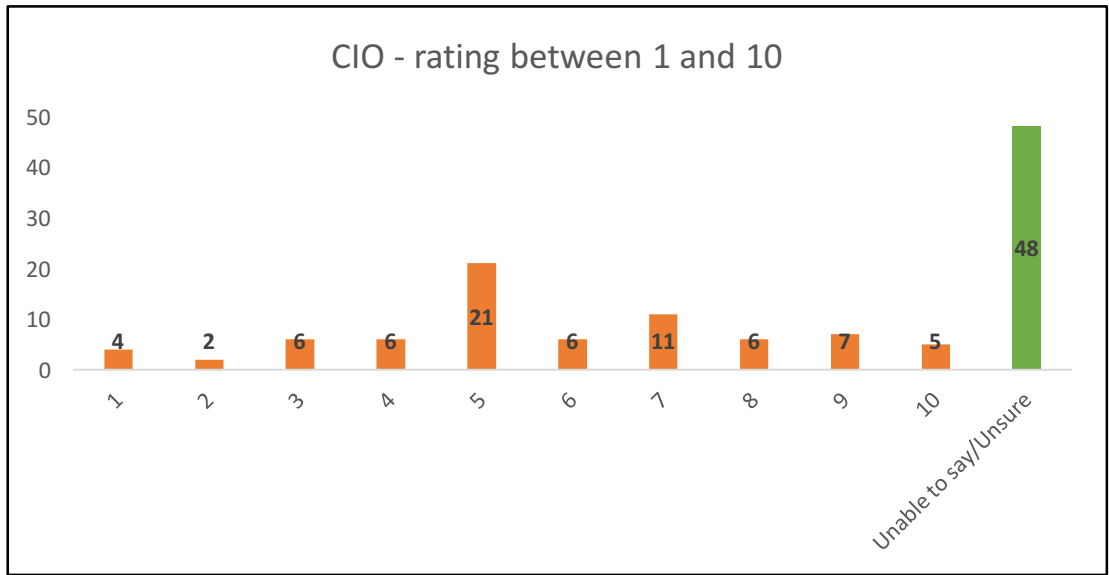


3.2 How do financial counsellors rate these schemes based on their recent experiences?

Financial counsellors were asked to consider their experiences with the two schemes in the last 12 months using a rating scale of 1 to 10, with 10 being “really good” and 1 being “really bad”.

Three-quarters of financial counsellors gave FOS a rating of 7 or above – the weighted average was 7.8. Three-quarters of financial counsellors gave CIO a rating of 5 or above – the weighted average was 5.8

This distribution of these ratings is shown in the graphs below. As noted earlier, fewer financial counsellors had dealt with the CIO, so there were a relatively larger number of “unable to say/unsure” responses.



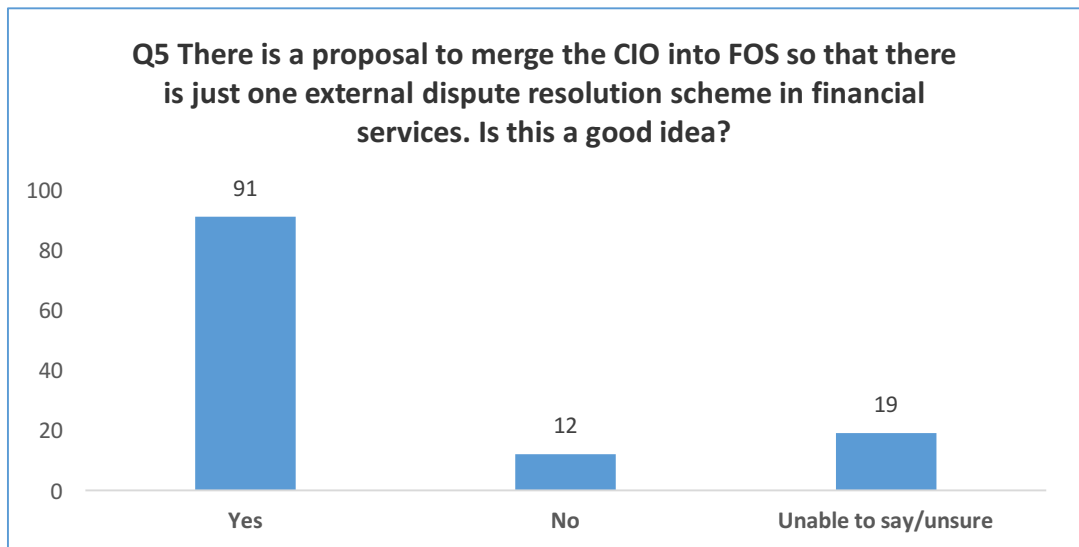
Financial counsellors were also provided with an optional comment box to explain their rating, and 46 financial counsellors chose to do so. Copies of these responses are included in Appendix 2.

There were both positive and negative comments about both schemes, although there were more positive comments about FOS, than about the CIO.

A number of financial counsellors said that staff in both schemes were pleasant to deal with. The length of time for resolving disputes was mentioned by some financial counsellors in relation to one or both schemes.

3.3 Merging FOS & CIO: what do financial counsellors think?

When financial counsellors were asked whether or not FOS and CIO should merge to form one scheme, 75% of respondents answered 'yes' as shown in the graph below.



Survey respondents could also comment about this question and 56 chose to do so. Comments in favour of the merger were common. The themes were that a merger would reduce confusion for consumers in how to access schemes, and that a merger would bring a consistent standard of EDR across the industry. A single scheme would also solve the headache of knowing which ombudsman scheme was the right one. Financial counsellors however also said that a merger would not work if it were just a cost-cutting exercise.

4. Summary

The large majority of surveyed financial counsellors believe FOS and the CIO should merge. Financial counsellors have more positive experiences with FOS than the CIO, and rate their experiences with FOS more highly than the CIO.

Appendix 1 – Survey Questions

1. In which State or Territory are you located?
2. Have you lodged disputes in either FOS or the CIO in the past 12 months?
(Answer “no” and the respondent automatically exited the survey)
3. In the last 12 months, approximately how many disputes have you lodged with FOS/CIO?
4. Overall, how would you rate your experience in dealing with FOS/CIO in the last 12 months? (scale of 1 to 10)
5. There is a proposal to merge the CIO into FOS so that there is just one external dispute resolution scheme in financial services. Is this a good idea?

Appendix 2 – Data and Comments

Please note that some comments have been edited slightly for spelling, grammar or clarity.

Question 1

In which State or Territory are you located?		
Answer Options	Response Percent	Response Count
ACT	1.5%	3
NSW	30.5%	60
NT	2.5%	5
QLD	9.1%	18
SA	19.3%	38
TAS	0.5%	1
VIC	23.9%	47
WA	12.7%	25
<i>answered question</i>		197
<i>skipped question</i>		0

Question 2

Have you lodged disputes in either FOS or the CIO in the past 12 months?		
Answer Options	Response Percent	Response Count
Yes	67.9%	133
No	32.1%	63
<i>answered question</i>		196
<i>skipped question</i>		1

Question 3

In the last 12 months, approximately how many disputes have you lodged with FOS/CIO?					
Answer Options	None	1 - 5	6 -10	11 or more	Response Count
FOS	5	100	10	6	121
CIO	47	55	4	0	106
<i>answered question</i>					122
<i>skipped question</i>					75

Question 4

Overall, how would you rate your experience in dealing with FOS/CIO in the last 12 months?
(1 = "really bad" and 10 = "really good")

Answer Options	1	2	3	4	5	6	7	8	9	10	Unable to say/Unsure	Rating Weighted Average	Response Count
FOS	0	0	0	6	10	10	24	20	19	28	5	7.80	122
CIO	4	2	6	6	21	6	11	6	7	5	48	5.80	122

Any comments?	
1	I find the procedures for FOS much easier and equally seem to find the creditor better understands FOS than those using CIO.
2	FOS was very helpful in resolving the dispute. Operational procedures flowed very logically and the Case Manager was very knowledgeable about his work.
3	FOS is very professional and the process is transparent. Resolution achieved within 4 months CIO is unprofessional and lacks transparency. In the early stages, caseworkers can change weekly and this makes it difficult to engage in the process. There are different departments that deal with different issues for the same client. Time taken to resolve issues is too long and I have been waiting on resolution for one client since January 2016.
4	I had one case of an 80 year old with excessive credit card debt with GE, which I believed was unconscionable lending. FOS resolved the dispute in the client's favour, so I was very pleased with the FOS input.
5	The online lodgement is quite user friendly. I had a good result with FOS. I am unsure of outcome with CIO as correspondence went directly to client.
6	FOS' processing of disputes and quality of determinations are generally of a high standard. CIO can be incredibly slow, they lack the intellectual fire-power, and are not good at seeing the big picture (ie the combination of smaller issues that come together to make a course of dealings unfair).
7	I find FOS is predictable with the type of information it requests, its process for confirmation of disputes and I have a generally reliable sense of how FOS will approach an issue. At times they can be overly strict on time frames, and the case managers can sometimes miss the point. However, I find it can be easily managed. Sometimes I feel they give FSP's too long to respond. They tend to be inquisitorial and tend to generally be fair in the approach. Where I have had to raise process issues, I always find I get a sensible, non-defensive, open and genuine response. However, In relation to CIO, I find I am at times lost and not sure what is happening next. Will I receive a call telling me that my case is outside their jurisdiction 10 months after I lodged? Will my correspondence be passed on to the FSP, or do I need to do that myself? Is the FSP's correspondence being passed on to me? I can't predict outcomes consumers are likely to receive, and I err on caution that they may not get a decision in their favour and more likely no decision will be made. Unless I am corresponding directly with the FSP, I am unlikely to get a resolution. CIO seems peripheral to the process and rarely actually influenced the outcome (made a decision, issued an approach document, or set some benchmark the FSP is concerned about).
8	I have a lot more confidence in the decisions from FOS and its process. CIO tends to find reasons to not determine the complaint.
9	I was very happy with both outcomes for my clients with FOS and CIO.
10	Both are really great, FOS has been better at keeping in contact with me, providing me with updates, and what's needed next.
11	FOS staff are extremely professional. Lodging a dispute with FOS requires more senior staff at the creditor to review the original complaint which invariably achieves more than the original did. The same outcome could be achieved by creditors having more empowered frontline staff - thereby avoiding need to refer to a senior decision-maker via FOS. I haven't lodged any CIO disputes in past 12 months, so I cannot comment on their performance.
12	They are both pleasant to speak with.

13	My response is based on one case that required involvement of a FOS case manager. She was terrific, she had a thorough understanding of our client's issue and responded in a very timely manner.
14	I seem to gain desired outcomes with FOS, not so much with CIO.
15	I find FOS much superior to CIO in terms of infrastructure, experience, processes, and outcomes. FOS would appear to be much better organised. To be fair, though, CIO has improved drastically over the last couple of years.
16	Previous experience lodging cases simultaneously that involved both EDR schemes (eg, the creditor was a member of FOS and the broker a member of the CIO) showed that CIO waited for FOS to make the decisions.
17	FOS has a very tight turn around for information which makes it difficult for part-time Financial Counsellors to comply with time lines. CIO - I have just lodged a complaint with them, so am unable to comment at this stage.
18	Often EDR schemes are used to put a hold on legal action, but lodging a complaint for this reason usually also results in a more reasonable outcome for clients, as well.
19	Compared with Telecommunications Industry Ombudsman, there was not a great deal of communication from either FOS or CIO. I lodged the complaint, and then the creditor in question called to engage with me about the complaint. There was no further contact/follow up from FOS or CIO.
20	Online complaints are frustrating and clients are unable to understand this process or get as involved as they would otherwise. Would prefer to be able to call FOS at the time the client is in the room and get some impetus going.
21	FOS has support for both myself and the client to participate in telephone conciliation.
22	In my experience, FOS has deteriorated substantially in their ability to respond to disputes in a timely fashion.
23	Both organisations are difficult to communicate with. You feel out of control during the process and not informed.
24	Personally I have made about 10 referrals to FOS and none to CIO. I'm not sure why this is, possibly I understand the process quite well with FOS but have not had dealings with CIO. CIO have not been as well represented or as vocal at FCA and state conferences I've attended.
25	I currently have a complex case just lodged. Quick initial acknowledgment was provided.
26	They explained the process clearly and accommodated delays in contact with the client.
27	I presume I am expected to comment on my experience with communication rather than on the outcome I achieved. FOS engage respectfully but often have little understanding of client's interactions with the credit provider. For example, the client expects that the credit provider will behave "as a prudent and responsible" credit provider and will not lend to an extent that they are over-committed.
28	I am aware FOS must adhere to their Terms of Reference, however fairness means that sometimes the boundaries of the TOR need to be pushed. FOS' responses often seem weighted towards the credit provider's version of events.
29	You have to be quick to deal with their online lodgement system or it logs you out.
30	CIO was probably coming from a point of poor performance over the last number of years and has improved in all aspects. Both schemes, however, tend to take a fairly legalistic approach to decisions that are made rather than what might be considered fair. While this is understandable as they want to avoid legal challenges, they still play a goliath role in relation to consumer interest, and as such, their practice more readily represents the institutional response to disputes.
31	CIO takes a long time for resolution and the National Consumer Credit Protection Act (2009) is often not utilised to substantiate the complaint. It often feels like the CIO takes the creditor's side instead of being impartial. FOS and CIO are not consistent with outcomes of complaints, and a lot depends on the case worker assigned.
32	I haven't lodged any disputes with CIO in the past 12 months, only with FOS
33	I have only lodged 1 dispute with CIO, so I am unable to rate them accurately.
34	I have had a lengthy wait with the CIO on a matter; it's been pending for over 6 months.
35	I can't say much as I have not had any dealings with CIO over the past 12 months.
36	I could not contact the CIO case manager for approximately 2 weeks as she was on holiday, but this was not stated in her emails or phone message. Since then, that case manager has left and it has taken 3 weeks to establish contact with the new case manager. The whole process seems very prolonged.

37	I have not lodged dispute with CIO.
38	FOS have strict time lines for client & financial counsellors to get information to them, but they take a lot of time themselves to make determinations. The use of telephone conciliations are generally a waste of time if the financial service provider is not prepared to negotiate. As part time FC 3 days per week with seeing two new clients per day and follow up appointment it is sometimes difficult to meet FOS short timeline particularly if the client is out town and it is difficult to get in for face to face or phone appointments.
39	CIO is very slow.
40	I have found that when a dispute is lodged with FOS, the process is helpful in getting the lender back to the negotiating table. However, I have found if the lender has done blatant unconscionable lending and wishes for the matter to be disputed, FOS does not provide any protection to the consumer. One example was where FOS stated that they found that the lender had provided a client with mental health issues a credit limit 9 times higher than what they could afford, but then the client still has to pay back what they borrowed and will be in financial hardship for the next 7 years due to the lender's unconscionable lending. The bank also was able to place a 7-day default clause and a clause to stop the client discussing how badly she was treated by them in the resolution statement.
41	FOS and CIO have been used frequently to locate IDR contact information that creditors do not make readily available to the public.
42	The bulk of my lodgements have been with FOS. CIO appear slower to react and marginally more biased towards the creditor
43	The new FOS streamlined process has been good, but for complex issues it continues to be a lengthy process.
44	FOS have resolved all of the cases that I have forwarded to them. They are an efficient and effective scheme, CIO could learn a lot from them.
45	I assisted the client and lodged a complaint with FOS online, but the bank communicated direct with client. My concern is more around the bank apparently testing the client's own determination to go to FOS before offering a fair settlement through their IDR.
46	Although not successful, the client felt she got a fair hearing from the scheme, and the financial service provider was certainly put on notice to tighten their procedures for the future.

Question 5

There is a proposal to merge the CIO into FOS so that there is just one external dispute resolution scheme in financial services. Is this a good idea?

Answer Options	Response Percent	Response Count
Yes	74.6%	91
No	9.8%	12
Unable to say/unsure	15.6%	19
Any comments?		58
answered question		122
skipped question		75

Any comments?

1	Simplifying the procedures would be good. I believe FOS to be the more professional of the two organisations, and would be disappointed to see any slippage in quality of operation. This is partly due to the fact I believe the small creditors are less responsive and perhaps less fearful of the CIO service and outcomes.
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2	<p>I would only believe it is beneficial if CIO's Position Statement 3 - 'Stay on Execution Default Judgement Orders' is adopted by the joint body.</p> <p>On the whole, a merger would make it easier for the consumer to refer matters to an ombudsman as most ordinary consumers are unsure or even aware which ombudsman is the EDR for a particular creditor.</p>
3	<p>I think one big organisation will be counter-productive, standards will decline and time to resolve complaints will be longer.</p> <p>I am very critical of CIO and how they operate; they need to be run like FOS and be more accountable.</p>
4	<p>I have dealt with CIO in the past and found them quite reluctant to get involved in the dispute. They wrote constantly to me to get me to resolve the complaint directly with the payday lender. This was not working and eventually a senior person at the lender intervened to resolve the small dispute themselves.</p>
5	<p>At least both EDRs would be on the same page.</p>
6	<p>Like all mergers, its success would depend on the execution. There are differences now between the types of members in FOS and the CIO. If the organisations were to merge there would still be a need for specialist staff to handle the different categories of members (eg, insurance companies, financial advisory organisations, major financial institutions, pay day lenders, brokers). I think the differences between these types of members and in the way that they operate calls for specialist teams within the EDR organisations, whether there are two schemes as now or just one. I see little merit in a merger on face value and would need to be persuaded by a clear statement of the rationale for a merger, the expected benefits and a timeframe when such benefits would be expected to flow. During the merger process the quality of the services provided would inevitably be affected so the benefits would need to be clearly greater than the disruptions caused by the merger.</p>
7	<p>FOS is already up to 17 months behind in some cases. Will a merger fix that?</p>
8	<p>One service that covers all of the current institutions would be easier for us as it would mean one lot of forms and one system. On the other hand, it might result in fewer staff doing twice the amount of work</p>
9	<p>More likely to have a more uniform approach to resolution of matters and also dispute process itself.</p>
10	<p>A merge of two into one always is sold to us as having cost and customer service benefits. After such mergers I am yet to see transparent financial data or customer surveys which prove that merging is of any short or long term advantage. Typically expertise is lost by redundancy and customer service suffers due to unrealistic service goals. Typical cost over runs associated with technology upgrades to combine services and on going maintenance contracts are often hidden in "routine operational expenses". Having met representatives from FOS and CIO at the FC conference in Adelaide they are very experienced on what each is doing and deliver customer service on a range of clients problems.</p>
11	<p>Centralising any organisation into one will increase their power - it depends on whether this is a good thing or whether it is better to have two ombudsman services.</p>
12	<p>It may be easier for clients to have a one stop shop for their complaints. It can be confusing for clients to know which scheme to go to.</p>
13	<p>It would be easier for consumers to deal with one scheme, as currently, sometimes complaints about a debt require involvement from both schemes.</p>
14	<p>There is a real accessibility issue in having two schemes. Many companies trade under different names and finding the correct EDR is an unnecessary obstacle to vulnerable consumers and a waste of valuable time for community workers seeking to assist.</p> <p>It would also help consistency of outcomes if only one EDR was making determinations - this would allow for greater certainty for financial service providers and consumers.</p>
15	<p>It's concerning that when I am advising a consumer, that an active concern for me is which EDR scheme the financial service provider is a member of and whether there is a way for us to access FOS over CIO. This reflects poorly on my confidence on the decision making of CIO.</p> <p>When a complaint straddles both a member of CIO and FOS, it would be easier, more efficient and improve outcomes if the whole dispute could be considered by the one scheme. Running a case against a broker in one EDR scheme and the lender in the other can lead to absurd results and inconsistent outcomes. This fails to result in good outcomes and a consumer may be currently worse off.</p>
16	<p>It would be better to have one place to go to lodge a dispute, and have one set of rules and terms of reference.</p> <p>I believe FOS is more professional in the way it handles disputes based on my previous experience with them.</p>

17	I also think it is important that the SCT stop being a tribunal and be an EDR scheme. The SCT should disappear and there just be one big EDR scheme.
18	If the EDRs were merged it would make it a lot easier to manage our clients' disputes.
19	A merger would reduce confusion.
20	I think a merger would be good, as sometimes I unsure which ombudsman scheme a creditor belongs to.
21	Sounds like a good idea, but not if there are less staff to dseal with our complaints.
22	This would end some confusion regarding who to go to, but is one of anything a good idea?
23	A merger wouldn't be good whilst FOS is not good.
24	It depends if the merger is merely a cost-cutting exercise. I would not like to see FOS's current excellent service being reduced.
25	Previously, I thought it would be useful to deal with one organisation, but after recent complaints I am not so sure. You get lost now, I could not imagine if it was just one big organisation. Not impressed with either ombudsman scheme, really.
26	I have found FOS to be better to deal with than the CIO.
27	I don't imagine any negative outcome of such a merger.
28	Yes, I can see the the benefits for consumers, as long as service quality did not drop because of less staff and more industries covered.
29	Good idea so long as the FOS model is the continuing framework.
30	Brilliant idea!
31	Will save time searching.
32	This is a good idea if it is well staffed, it would make the process more efficient.
33	This could be both a good and bad thing. The cohort of lenders who access COS struggle with the concept of IDR let alone EDR. With this in mind the numbers and influence the smaller credit providers could have on the client focus of and EDR scheme may be detrimental.
34	Alternatively, a single entry point for EDR would be a benefit to consumers who are self-advocating.
35	We need information about the background here, such as the pros and cons.
36	I consider that the CIO do not follow through on the difficult complaints and encourage the client to give in too quickly. The CIO tend to lean towards the creditor's side without completing the full case. FOS cases are more impartial and they will follow through if the client is unhappy with the outcome.
37	Having one ombudsman will make it less confusing for everyone.
38	A single entity would be more prone to a standardised approach to decision making, while having two entities provides some opportunity for diversity. A single entity would also be more vulnerable to political influence - whatever the source of that influence, industry or government.
39	We need consistency with decisions for complaints. Hopefully there will be stronger enforceable outcomes for systemic blatant breaches of the National Consumer Credit Protection Act (2009).
40	A merger may lift the standards of CIO, which tend not to be as good. Creditors that are with the CIO tend to not take advice from the Ombudsman. A case manager who was handling a dispute of mine advised that the creditor had been a repeat offender of calling and demanding payments from client despite having a dispute open with the CIO. Even though this creditor had been warned and my client provided a text message proof, the CIO believes that the director of the company was aware of these practises yet continued to let it keep going. CIO offered little to no recourse for client even when case manager referred to senior worker.
41	If the merged body is of the same structure as FOS, then that would be a good thing and make life a lot easier for us financial counsellors. However, I would hate to see FOS fall to the standard of CIO as that would definitely be backward step.
42	Yes, one EDR for FOS & CIO is a great idea.
43	A merger would avoid confusion about where to lodge a dispute when a bank who is a member of once scheme owns a smaller lender who is a member of the other. It would also avoid indecision and time wasting from smaller lenders.
44	A merger should bring more consistency in how cases are managed and resolved in a timely way.
45	Excellent idea.
46	It would be less confusing for consumers to send to one Ombudsman scheme, and then internally the Ombudsman can forward the complaint to the relevant section.
47	Yes, if the new scheme functions as well as FOS. At present, CIO is slow.

46	I know people are saying it will reduce competition and therefore incentive to perform, but most sectors only have one Ombudsman so I don't see what the issue is?
47	From previous experience with FOS and CIO, my assessment is that FOS processes are far more efficient and effective than CIO processes.
48	They cover two different area of the financial services market. I have one case where I have lodged a hardship and maladministration claim with FOS against the creditor, and a maladministration complaint and fraud complaint with the CIO against the broker. This type of claim would have clearly put an merged organisation in a conflict of interest to clearly be able to look after the customer and to investigate the two financial service providers.
49	They should be merged into FOS.
50	I think there needs to be choice. I think it would be better if the lenders had to be members of both and the client could then choose which one they wanted to take their dispute to.
51	I do not know the particulars of why they were separate in the first place, so I may be ignorant of a good reason to keep them apart. It seems more efficient to merge but it does not cause me any hardship to check one website then the other.
52	This would be good, providing the FOS structure prevails in any merger.
53	If it's to cut back on staff, it wouldn't be a good idea. Not everything can be done by email.
54	As long as there is enough staff to stop long waits on claims.
55	The two areas of lending arms are reliant on each other and it could be advantageous to the dispute resolution arena to have one Ombudsman for all.
56	I think FOS have come a long way in involving its consumer advocates in their sector with their Consumer Liaisons Group and involvement in the financial counselling national and state conferences. Whereas, CIO haven't had that strong a presence. You probably find you have one CIO rep at a conference.
57	Definitely a good move in terms of the consumer understanding, as well as industry process.
58	As long as they pool their resources, this could be useful. The client (and financial counsellors) would appreciate a single process and a single body to deal with.