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The Manager
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EXTERNAL DISPUTE RESOLUTION

Dun & Bradstreet (**D&B**) welcomes the opportunity to make a submission to The Treasury in respect of the proposed changes to External Dispute Resolution (**EDR**) following the completion of the Ramsay Review.

At the outset, we re-iterate our position as noted in our submission to The Treasury dated 7th October 2016:

- The current multiple EDR system has allowed for the market to determine efficiency, adapting and evolving to changes in the financial system and the specific needs of users. The ability of competition to drive efficiency is a principle well accepted by The Treasury.
- D&B does not believe there is adequate and appropriate justification for the creation of a single EDR entity not subject to competition, in an environment where there are natural incentives within the current multiple EDR system to promote price and non-price efficiency in dispute outcomes.
- D&B is not of the view that additional statutory controls and additional bureaucracy & reporting will result in quicker and more accessible dispute resolution. D&B is supportive of greater consumer education as a joint initiative of multiple industry stakeholders. To the extent that there are points of policy clarification, guidelines, or user education required to more quickly resolve disputes, ASIC and the OAIC are able to do so in a way that applies uniformly to all EDRs under their current statutes.

With reference to the Consultation Paper, we comment as follows:

- **Enhanced Internal Dispute Resolution (IDR) Reporting (Paragraphs 21 and 22)**

    - The Ramsay Review calls for greater transparency around IDR reporting.
    - The quality of a firm's IDR process is monitored naturally by EDR; the extent to which IDR is successfully applied is apparent in the extent to which a firm is the subject of EDR complaints.
    - Therefore D&B questions the perceived benefit to consumers of this enhanced reporting, as measured against the cost to members of providing this additional reporting.

- **Transitional Arrangements (Paragraphs 40 and 41)**

    - There is an expectation that members of the current EDR schemes will be required to fund and maintain membership of their current scheme as well as that of AFCA during the transitional phase commencing 1st July 2018.
    - This expectation is based on the fact that the current schemes will still have open and unresolved disputes to deal with that were lodged prior to 1st July 2018, while new disputes will be heard by AFCA.
    - After an EDR member has concluded its investigation and submitted its report and findings in respect of disputes raised against it to the relevant EDR scheme, the member has very little control over the further progression of the dispute.
    - Therefore, D&B opposes any form of requirement that obliges it to maintain and fund dual membership of its current EDR scheme as well as that of AFCA during the transitional period, as D&B cannot control the timely resolution of disputes by its EDR scheme.

- **Regulatory Impact (Paragraphs 52 and 53)**

    - D&B agrees with the view that there will be an increased regulatory burden, including:
        - Additional staff training
        - Increased number of complaints as a result of higher claim limits
        - Cost of reporting IDR data to ASIC
    - D&B does not believe this additional burden will be commensurate with any increased efficiency or fairness in dispute resolution, nor will it enhance consumer empowerment in any meaningful and significant way.

D&B considers the following additional matters to be fundamental to the operation of a new single EDR scheme:

- An absolute prerequisite before a dispute is accepted by ACFA is that the member has had a reasonable opportunity to resolve the dispute through its IDR process and that there are reasonable grounds to assume that there is validity in the basis of the dispute.
- There is a clear and accessible path of appeal against AFCA decisions to allow for the orderly and transparent challenging of outcomes in appropriate circumstances.
- AFCA decisions must be based on law; determinations cannot be made solely on "fairness" rather than on informed understanding and application of relevant legislation.
- There is currently no clear guidance on the cost and funding structure of AFCA, nor of the rules by which it will operate. Further, D&B assumes that the establishment costs of AFCA will be borne by The Treasury, as it will be unreasonable for financial services industry members to be expected to fund the development of an organisation of this nature when there are existing and viable institutions dealing with and protecting the interests of consumers.

D&B will be pleased to discuss these issues in more detail.

Yours sincerely

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