



Government Affairs Unit
AMP Services Ltd
ABN 50 081 143 786

PO Box 3409
MANUKA ACT 2603

Suite 1G
65 Canberra Avenue
MANUKA ACT 2603

T +61 2 6295 2966
F +61 2 6295 2484

Prof. Ian Ramsay
C/o: Department of Treasury

By email: EDRreview@treasury.gov.au

REVIEW OF EXTERNAL DISPUTE RESOLUTION AND COMPLAINTS SCHEME

AMP welcomes the opportunity to provide a submission to the Government's **Review of the financial system external dispute resolution framework** (The Review).

AMP is committed to resolving disputes and complaints straight away. We care about what our customers think and we try to address all concerns within 10 business days, keeping customers abreast of progress. Our commitment to handling complaints or disputes is visible on our website, product documents and in our customer correspondence. We provide customers with clarity about the external options available to them, should they remain dissatisfied.

The Review's terms of reference focus on the operation of the FOS, the SCT and the CIOS. As none of AMP's financial service licensees have membership of CIOS, our comments are based on our ongoing relationship with the FOS and the SCT.

Principles guiding the review

AMP supports the principles of the Review.

Internal Dispute Resolution

AMP is committed to ensuring our customers can raise their concerns with us when they are not satisfied with an experience. We recognise that effective internal dispute resolution (IDR) processes enhance our relationship with our customers and will often lead to a timely resolution of disputes without the need for the involvement of third parties, action in courts or any cost to our customers.

AMP has robust IDR processes in place across its businesses so customer concerns are dealt with in a timely and comprehensive manner. We have ensured that our processes and contact details for disputes are made prominent in all of our product documents, websites and relevant correspondence ensuring that our customers may readily contact us when they would like to complain about their experience with us.

In 2014, we introduced our Advice Review Panel as a final complaint review point for advised customers. This Panel is overseen by an independent chair, is a free service for customers of our financial advice network, and enables customers to refer an eligible matter for up to two years.

Our perspective is that we do not believe changes are required to IDR approaches. Our view is that they are dealt with comprehensively by ASIC Regulatory Guide 165.

Regulatory oversight of EDR schemes

AMP is satisfied with the current regulatory oversight of EDR schemes, which we believe is appropriate.

Existing EDR schemes and complaints arrangements

In the event that the IDR process is unable to resolve a complaint, AMP remains supportive of a strong external dispute resolution (EDR) process. AMP has historically played a leading role in assisting the financial services industry to establish past EDR schemes. These include the Life Insurance Complaints Service (LICS) and the Financial Industry Complaints Service (FICS) which were predecessor services to the FOS.

It is a vital attribute of such schemes that they provide an unbiased, transparent and timely resolution to customer complaints. Historically such schemes have been of no cost to customers and AMP supports that position going forward.

In our experience, consumers are well aware of the existence of EDR schemes. Financial services providers have played a significant part in creating visibility of these schemes through their respective disclosure communications to customers, together with their historic and current funding of the available schemes.

We acknowledge some customers may not be clear about which EDR scheme they should lodge a complaint. We will address this further when considering a 'one-stop shop'.

There are a number of positive features of the current arrangements and these include:

- (a) FOS and the SCT are developing subject matter expertise in the relevant dispute areas
- (b) Disputes are generally resolved in a timely manner at the FOS
- (c) Conciliations play an important role in resolving disputes and these are being employed more regularly
- (d) There is no cost to the customer.

There are also some features of the current arrangements which could be improved, including:

- (a) There are different time limits for consumers within which they may bring a complaint
- (b) It is not readily apparent to consumers which EDR scheme has jurisdiction to hear their complaint
- (c) Matters before the SCT can take up to 2 years to move through the process from complaint lodgement to a determination. The experience at FOS is that matters move through the process more efficiently
- (d) There is no transparency around the way the various EDR schemes communicate with one another
- (e) The EDR schemes have different dispute resolution criteria to apply when considering a dispute. When these criteria are not based on a strict interpretation of the law, this could lead to inconsistent outcomes

- (f) Financial Service providers have no right of appeal on a point of law at the FOS, while they are bound by their determinations.

Monetary Limits and Jurisdiction

AMP considers that the jurisdiction of FOS and the SCT is quite broad, which in many respects is appropriate in order to capture the majority of our customer's complaints.

AMP's view is that the monetary limits at present are appropriate. In our experience, these limits cover the overwhelming majority of customer complaints. It is also appropriate to have a compensation cap on what the FOS may award in circumstances where the financial service provider is bound by a determination and the process is essentially a 'fast track' consideration of the issues as opposed to a more rigorous adversarial Court process (which is not appropriate to an EDR scheme).

However, we believe remedies such as the awarding of non-economic loss and consequential loss are not remedies which an EDR scheme should be empowered to award. We typically find these awards are made on an ad hoc basis and usually without any justification. Remedies of this nature are more appropriately dealt with by a Court.

AMP is concerned that there is no right of appeal on a point of law. We would welcome the introduction of a right of appeal with an exception for low quantum claims up to the sum of \$100,000. In situations where the amount involved is greater than \$100,000, we recommend that the FSP would be able to appeal a determination on a point of law.

However, if a one-stop shop is under consideration, the criteria and monetary limits should be reviewed.

One-stop shop

AMP supports the concept of a one-stop shop EDR body for financial services disputes. It is a logical approach for one body to manage disputes and will resolve any confusion facing customers about where to take a complaint.

The advantages of a one-stop shop would appear to include: certainty for consumers, potential for greater consistency in decision making, creation of divisions with expertise in particular areas (such as life insurance, superannuation, banking, general insurance etc) and benefits of scale and simplification.

If there was a single EDR scheme then there would be no need for a triage scheme. If there were more than one scheme, AMP does not see the value of a triage scheme as this would create another layer of bureaucracy and potentially cause delays for the customer.

A single financial services EDR scheme would also mean that most, if not all, relevant parties could be included in a dispute. Often disputes involve a number of parties, such as a life insurer, trustee, financial adviser and a customer. Having all potential parties under the same EDR scheme would mean these parties could all be joined to a dispute and issues such as apportionment of liability may be dealt with more appropriately than under current arrangements.

Additional Dispute Resolution Tribunal

AMP does not believe there is value in having an additional body or Tribunal over and above existing schemes or a one-stop shop. This would result in an extra forum before a matter could be taken to a Court, which would likely add cost and expense with no additional benefit.

A properly structured EDR scheme with appropriate jurisdiction, powers and limited rights of appeal for FSPs would deal adequately with the overwhelming majority of customer disputes.

Uncompensated Consumer Losses

AMP supports the further exploration of the development of a scheme of last resort for customers with unpaid determinations.

We support minimum standards of insurance and capital requirements for AFSLs to ensure customers are compensated for poor advice (such as limiting or removing the possibility of unpaid determinations arising in the future).

We also support excluding from any scheme of last resort those organisations that do the right thing by compensating customers who have had losses as a result of adviser misconduct and pay all FOS determinations.

These organisations effectively 'self-insure' and their shareholders should not be required to compensate those who don't have adequate insurance or capital requirements.

We therefore do not support a scheme of last resort that binds all AFSLs. We believe that such a scheme would create significant moral hazard and be extremely unfair on institutions who strive to do the right thing.

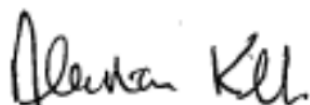
At AMP, we cannot envisage circumstances where one of our customers would have the need to seek compensation from a scheme of last resort. We therefore do not believe it is appropriate for our shareholders to be funding the wrongdoing of other firms.

Thank you for the opportunity to provide a response to this Review.

We welcome the opportunity to discuss our perspectives and suggestions with Professor Ramsay, Ms Abramson and Mr Kirkland.

Should you have any questions, please contact Jenifer Wells, Head, Public Policy on 0402 111 044.

King regards



Alastair Kinloch
Director, Government Affairs