

Dear Sir/Madam,

The government has established a panel to advise on, among other things, the possible consolidation of the two existing EDR schemes (CIO and FOS) or the establishment of a statutory scheme, both of which will be funded by industry.

Over the past 8 years or so we have been a member of both the CIO and FOS.

We found FOS to be authoritarian, dogmatic and prone to actually aggravate the process of Dispute Resolution.

Mind you, we have never had the need to appear before FOS, and our company is very proud of the care we show our clients. Our motto is "treat clients like you would want to be treated".

Nevertheless, documentation clearly has been displayed in the press of the aggressive management style of this organization. This has been in publications many times.

This became so acrimonious that a lawyer previously with ASIC who performed our annual compliance audit made the suggestion to consider the other DRS.

Also there are several facts which MUST be considered in this review concerning CIO:

CIO has been the natural 'home' for non-bank lenders, finance brokers and their aggregators since it was formed in 2003 by the MFAA. The overwhelming majority of CIO's 23,000 members are finance brokers, most of whom are sole traders or small business. Other members include non-bank lenders, aggregators, servicers, credit unions and building societies.

Panel to advise on consolidation of EDR schemes

The government has established a panel to advise on, among other things, the possible consolidation of EDR schemes. The panel has released an Issues Paper and is seeking comments by 7 October 2016. The interim report is expected by the end of November 2016.

Both we and CIO believes that the case for change has not been made.

Benefits of maintaining two EDR schemes

1. A consolidation of CIO and FOS would mean financial services providers (FSPs) who are dissatisfied with service levels or costs can't vote with their feet. This is a poor outcome, particularly because FSPs are legally required to join an EDR scheme and fully meet the scheme's operating costs.

2. CIO understands the non-bank sector well, and those who operate in it, from one-man finance brokers to large aggregators, to time-share operators to small amount lenders to finance companies and to building societies and credit unions.

3. CIO's membership base differs significantly from FOS'. Over 95% of CIO's members are sole traders and small businesses. They have different needs, expectations and resources than the large financial organisations that are members of FOS.

4. CIO's smaller members are generally not supportive of being in a single EDR scheme which is geared towards large institutional players, such as banks and insurers, who attract the vast majority of complaints and whose corporate structure and governance are nothing like theirs.

5. Having two EDR schemes allow each scheme to benchmark its performance against the other. This produces better outcomes for FSPs and consumers alike because the schemes are forced to adopt best practice and improve their service offering. This cannot be achieved under a single EDR scheme model.

6. Without this competitive tension, turnaround times, service levels, innovation and continuous improvement would suffer, and there would be less incentive to keep costs in check and run the scheme efficiently.

7. A single merged EDR scheme would be prone to be monopolistic in its behaviour – dictating terms, rather than being responsive to stakeholder concerns about performance.

8. A mega statutory scheme is not the answer because a large bureaucracy would have less specialisation, be substantially less flexible or capable of responding quickly to changes in the market. This will affect turnaround times, service levels and innovation.

9. The real issue is whether consumers are able to navigate the various EDR schemes in each of the telecommunications, financial services, energy and utilities sectors where the consumer has a single issue (eg. financial hardship) that involves more than one sector Ombudsman.

10. A consumer-facing common help desk jointly funded by EDR schemes - essentially an online and telephone access point – is a far better option than merging the EDR schemes.

Finally, we are the ones paying for the DRS and should have the ability to choose which service we want to pay for.

**Leon Craig Offenhauser**  
**Managing Director**  
**Killara Securities Pty. Ltd.**