

27 January 2017

Professor Ian Ramsay
Chair, Independent Expert Panel
c/o EDR Review Secretariat
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: EDRreview@treasury.gov.au

Dear Professor Ramsay

Review of External Dispute Resolution and Complaints Schemes

Tyro Payments welcomes the opportunity to provide this submission to the Independent Expert Panel's review of the financial system external dispute resolution framework.

Tyro is Australia's only independent EFTPOS banking institution and is the first new entrant into the banking business in more than 18 years. Tyro holds an authority under the Banking Act to carry on a banking business as an Australian Deposit Taking Institution (ADI) and operates under the supervision of the Australian Prudential Regulation Authority (APRA).

Tyro provides credit, debit, EFTPOS card acquiring, Medicare and private health fund claiming and rebating services as well as a transaction and deposit account integrated with Xero cloud accounting. Tyro takes money on deposit and offers unsecured cash-flow based lending to Australian EFTPOS merchants.

Tyro also launched Australia's first Fintech Hub to foster a vibrant start-up community bringing innovation and competition to the financial services industry that is dominated by the major retail banks.

I note the publication of the Review of the financial system external dispute resolution and complaints framework Interim Report on 6 December 2016. As you may be aware, I provided a submission, on behalf of Tyro Payments, to the Independent Expert Panel on 2 November 2016 (enclosed) with respect to this Review.

Following the release of the Interim Report, I herewith provide a supplementary submission outlining our concerns for the establishment of one External Dispute Resolution Scheme that will incorporate the Financial Ombudsman Service (FOS) and the Credit and Investments Ombudsman (CIO) to oversee all financial, credit and investment disputes. Tyro has no comments on the proposal regarding the Superannuation Complaints Tribunal (SCT) transition into an industry ombudsman scheme.

Our position on the draft recommendations put forward in the Interim Report is as follows:

Draft Recommendation 1

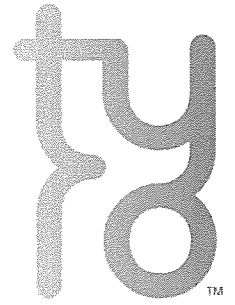
To amalgamate the FOS and the CIO into one overriding authority for financial service providers (FSPs) involved in financial, credit and investment disputes would undermine the industry-specific services that the FOS and the CIO provides to their members. Having two separate organisations increases competition and ensures that FSPs have options regarding dispute resolution mechanisms.

Draft Recommendation 2

If consumer monetary limits and compensation caps are to be applied, then such increases should be outlined and further consultation be conducted.

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Draft Recommendation 3

Same as our response to Draft Recommendation 2.

Draft Recommendation 6

Transparency and accountability are important cornerstones of any dispute resolution service, yet how would such elements be governed in the proposed new structure? Understanding that ASIC's regulatory framework would still apply, but how would a combined industry ombudsman scheme ensure that the smaller FSPs are not overshadowed by the bigger FSPs?

Draft Recommendation 7

If ASIC's oversight powers are to be expanded, FSPs should be made aware of how this will impact on dispute resolutions handed down by the new scheme. The biggest risk with requiring 'more frequent' targeted or independent reviews of the new scheme is the potential for such reviews to interfere with the effective operation of the scheme, yet inevitably, more bureaucratic red tape will be prevalent in the function of the scheme on the whole and this undermines the effective governance of the scheme.

Draft Recommendation 8

If the use of expert panels is to be introduced, the financial cost of this structure and how panellists are selected should be made clear. As the report states, the FOS uses expert decision-making panels for some product line disputes, with panellists having specialised experience to be able to deal with the complexities presented. How would this correlate for the proposed ombudsman scheme combining the FOS and the CIO? The risk of introducing an expert panel for the new ombudsman scheme is that complex matters may be at risk of being determined by a panel that does not have the requisite experience. Further, there needs to be an understanding of what disputes would be deemed to be 'complex' in the new scheme so that members understand where such panels will be required in the decision-making process.

Draft Recommendation 9 and 10

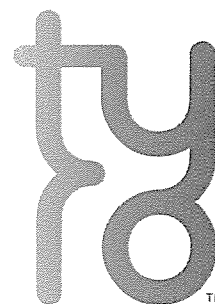
These two recommendations relating to internal dispute resolution (IDR) mechanisms and how IDR information is handled would take away from the main ambit of the new ombudsman scheme – which is to resolve disputes in an effective and impartial manner. Introducing further obligations on FSPs to report on IDR is superfluous and only results in more bureaucratic red tape becoming evident in the operation of the scheme.

Tyro's perspective still stands from our original submission – having a single ombudsman scheme overseeing matters relating to financial, credit and investment disputes will eliminate choice. Competitive tension between the FOS and the CIO should not be viewed negatively as it fosters a level of accessibility and accountability that a joint scheme would not be able to achieve. Having one scheme overseeing all disputes means that dispute resolution mechanisms would not be tailored to meet the needs of the parties to the dispute, particularly smaller FSPs.

Regards

A handwritten signature in black ink, appearing to read 'Jost Stollmann'.

Jost Stollmann
Executive Director



2 November 2016

Professor Ian Ramsay
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Tyro also launched Australia's first Fintech Hub to foster a vibrant start-up community bringing innovation and competition to the financial services industry that is dominated by the major retail banks.

From our perspective as innovator, challenger and sponsor of fintech start-ups, we are concerned with merging the two Ombudsman or external dispute resolution (EDR) schemes in the financial services sector; Credit and Investments Ombudsman (CIO) and the Financial Ombudsman Service (FOS).

A single Ombudsman scheme will eliminate choice. We would be concerned with the risk of Tyro's and Tyro Fintech start-ups' competitive position suffering from the dominance of the big entrenched retail banks over the then one and only Ombudsman scheme. The competitive tension that results from two competing organisation fosters efficiency, accountability, most importantly accessibility and impartiality.

Members of both CIO and FOS clearly benefit from having a choice between two schemes that differentiate their offering. CIO tailors more to the smaller non-bank organisations whereas FOS handles more the disputes involving larger organisations like the banks and insurers.

Regards

A handwritten signature in black ink, appearing to be 'Jost Stollmann', written in a cursive style.

Jost Stollmann
Executive Director

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