

## **FOS identifies new definite systemic issues**

The Financial Ombudsman Service (**FOS**) released a systemic issues update of the June 2018 quarter. The five matters identified were reported to ASIC.

### **Improper collection activity**

The financial services provider (**FSP**) breached the debt collector's guidelines by attempting to make excessive contact with customers. This was more than 120 calls per month, double the level indicated as acceptable by ASIC.

### **Mistaken internet payment: process**

The FSP was charging customers a fee to handle mistaken internet payment claims, contrary to its obligations under the ePayments Code. The FSP argued their obligation did not preclude them from charging a fee when the customer progressed the claim however, the Lead Ombudsman rejected the claim as it did not align with FOS's interpretation of the Code.

### **Activity on foreign exchange account**

The FSP was not meeting its obligations for assessing prospective investors' understanding of the products they were investing in prior to opening an account and engaging in foreign exchange training. To determine suitability, the FSP relied on quiz questions, whose answers were often provided for in the initial 'scripting'. As a result, the Lead Ombudsman was not satisfied the FSP was adequately assessing suitability.

### **Suitability of product**

Concerns rose about a FSP's sale of add on insurance through motor vehicle dealerships. The FSP confirmed that in the last two years, it has paid its corporate authorised representatives approximately \$2.7M in commissions for the sale of add on insurance, received approximately \$10.2M in premiums, and only paid approximately \$1.8M in claims. The Lead Ombudsman was concerned that the sales method was unlikely to properly inform consumers of the product's low value.

### **Positive outcomes from rejected systemic issues**

The following are issues that were determined not to be systemic:

- The FSP instructed its collections staff to check whether customers experiencing financial difficulty repaying credit card and personal loan debt may be able to make a claim under a related insurance policy.
- The FSP updated its IT infrastructure to reduce the potential for outages on its mobile banking application. The FSP also improved its communication channels, including increased use of SMS and email, to notify customers quickly if there were any issues.
- The FSP restructured its claims team and improved its complaint handling processes, to ensure insurance claims and any subsequent complaints were dealt with in a responsive and timely manner.
- The FSP updated its processes to notify all insured parties when one co-insured requests to cancel an insurance policy.

- To improve customer satisfaction, the FSP made changes to its processes for managing complaints about the quality and timeliness of motor vehicle repairs for insurance claims. It also started tracking complaints about repair delays and repair times.
- The FSP updated its product disclosure statement to clearly inform policyholders of their right to cancel their travel insurance policy outside the cooling off period. The FSP also extended the cooling off period from 14 to 21 days.
- The FSP introduced system checks to prevent administrative errors occurring that resulted in Certificates of Insurance and policy documents being issued to consumers who in fact had their cover declined.
- To improve customer experience, the FSP stopped charging an administration fee when its customers request privacy information.

[Read the full report here](#)