

CUSTOMER ADVOCATE REPORT 2007

MESSAGE FROM THE CUSTOMER ADVOCATE

It is now five years since my role as Customer Advocate was established. My job is to complement the existing complaints resolution process at ANZ. I become involved in disputes that have been through the ANZ's internal complaints resolution processes and where the customer is not satisfied with the outcome. On some rare occasions, a particularly difficult complaint may be referred directly to me for resolution.

In those five years, a real commitment to develop a problem-solving culture within ANZ has taken shape.

There has been a steady decrease in the number of complaints to ANZ being closed by the Banking and Financial Services Ombudsman (BFSO) scheme, which means ANZ is getting better at resolving customer concerns in the first instance.

A project underway in ANZ's Personal Division aims to improve the way complaints data is reported across the Division, so that it can be used more effectively by the business to avoid errors in the future and improve our service to customers. I am confident this focus on prevention will lead to positive results in the near future.

I welcome and encourage feedback from our customers and staff on issues or concerns they have with ANZ's products and services. This feedback can help us continually improve our service and prevent the same problems from arising in the future.



Bill Robinson
ANZ Customer Advocate

ABOUT THE CUSTOMER ADVOCATE

The Advocate operates independently from ANZ's businesses and reports directly to the Chief Executive Officer. The objective of the Advocate is to provide an independent and impartial approach to negotiating resolution of personal customer complaints and disputes.

BFSO REPORT OF CASES CLOSED

In terms of escalated complaints, 2007 saw a further decrease in the number of ANZ cases 'closed within terms of reference' by the Banking and Financial Services Ombudsman (BFSO) scheme, to 513. More importantly, 93% of these matters referred to ANZ by the BFSO were resolved by ANZ without the need of a further investigation by the BFSO. This is the second highest resolution rate of the four major banks during 2007.

This year we also worked on resolving two customer issues raised with us by the BFSO.

The first concerned customers who had taken out a special purpose student loan

to fund computer training. The provider of this training had later become insolvent and ceased operations. Some of these customers did not receive alternative training upon the collapse of the company, meaning they were left with an outstanding ANZ debt with no benefit received.

Following discussion with the BFSO about some individual customer complaints arising out of this issue, we contacted all relevant customers to confirm those who had been adversely affected by the collapse of the training provider.

We are now in the process of reviewing all cases and have suspended all debt collection activity in respect of these loans until the issue has been finalised. Where a student has not received a benefit from their ANZ loan due to the insolvency of the training provider, we will write off the loan entirely. The review of customer cases is expected to run for three months.

The BFSO also raised some concerns this year about our processes for identifying and responding effectively to customers in financial hardship, in particular the circumstances in which banks alert

customers to the availability of relief under the Uniform Consumer Credit Code.

This has coincided with an internal review of ANZ's hardship policy and processes across our entire Personal Division. The review has led to the introduction of a more flexible and proactive approach to consumer hardship and the BFSO has welcomed ANZ's progress in this area. For more information on ANZ's review, please refer to pages 36 and 45.

MATTERS REFERRED TO THE CUSTOMER ADVOCATE

2003	70
2004	
2005	68
2006	85
2007	106

NUMBER OF BFSO CASES CLOSED (TO 30 JUNE OF EACH YEAR)

2002	1032
2003	887
2004	695
2005	552
2006	552
2007	513

CUSTOMER ADVOCATE REPORT 2007 CONTINUED

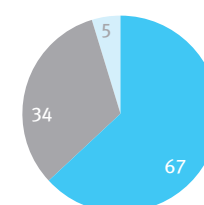
REVIEWING OUR PROCESSES

This year we are commencing a review of our internal complaints handling processes. The project aims to improve the internal reporting of customer complaints and their outcomes so corrective action plans to address potential systemic issues are addressed quickly and efficiently. We are also taking this opportunity to review all complaints processes throughout the retail business and identify improvements in accordance with the Australian Standard 10002-2006 Guidelines for complaints handling in organisations.

In 2008 we will also be reviewing processes within the Customer Advocate office to identify ways we might better meet our objective to resolve disputes quickly. The number of days required for completion of the Advocate's review exceeded our target of 20 days in a little over 50% of complaints. In a number of instances the complexity of the complaint (at times across several different business units) and the need to obtain additional information and ANZ files contributed to the delay in early completion. Where any significant delay was likely the customer was kept informed of the progress of the Advocate's review.

MATTERS RECEIVED: 106

■ Matters completed
■ Matters referred back to Business Unit as a first instance complaint
■ Open files



BREAKDOWN OF COMPLETED MATTERS

BUSINESS UNIT	NO. OF COMPLAINTS	FINDING FOR			OUTCOME		TIME FOR COMPLETION	
		CUSTOMER	ANZ	BOTH	COMPENSATION AMOUNT	NON-FINANCIAL OUTCOME	<20 DAYS	>20 DAYS
Banking Products	24	11	8	5	25,280	15	12	12
Consumer Finance	19	4	11	4	3500	16	10	9
Mortgages	13	7	4	2	19,820	5	6	7
Small Business	3	1	2	–	30,000	2	1	2
Esanda	1	1	–	–	3000	–	–	1
Private Bank, ING, Trustees, Wealth	5	1	3	1	5000	3	2	3
Other	2	1	1	–	1000	1	1	1
TOTALS	67	26	29	12	87,890	42	32	35

CUSTOMER ADVOCATE REPORT 2007 CONTINUED

CASE STUDIES

CASE STUDY 1 – NEGOTIATED SETTLEMENT OF A DEFAULT IN A LOAN REPAYMENT.

This case highlights the need for a flexible approach to be adopted by ANZ when there is a significant change in the circumstances of a customer.

Situation:

A loan of \$10,000 had been sought and was approved to an ANZ customer – the loan was stated to be for the purpose of home improvements. The loan fell into default and recovery proceedings were instituted. In the meantime, the customer's affairs had been taken over by a State Protective Office and it was then put that ANZ could not establish that the loan had been properly approved, particularly having regard to the subsequent change in circumstances.

Review:

The Customer Advocate was able to establish that the loan advance had been made to the customer after a formal application process through a branch. However the particular loan file was not able to be located. The proceeds of the loan had been paid to the customer and were withdrawn from her account shortly after the advance. At the time of approval of the loan, there was no indication that the customer did not properly appreciate the nature and obligations of the loan application, or that she was unable to meet the repayments from available reported income, or that the reported purpose of the loan was inappropriate.

Resolution:

It was accepted by ANZ that there had been a change in circumstances and that the customer's affairs were now being managed by the Protective Office. At the same time, the Advocate established that the loan was validly and properly made at the time of application. A negotiated solution resulted in ANZ agreeing to the repayment of an amount of 50% of the loan, that credit charges

would be waived and that the payment would be made upon the sale of the property owned by the customer.

CASE STUDY 2 – AGENCY LISTING FOR CREDIT CARD DEFAULT

This case resulted in ANZ being required to review the wording of letters and advices to customers as to what action may be taken to advise credit reference agencies of 'settle for less' settlements reached for credit card defaults.

Situation:

A former ANZ customer had accrued substantial credit card debts with a number of institutions, including ANZ. In negotiations through a financial counsellor on his behalf, ANZ agreed to a 'settle for less' outcome where part of the outstanding debt was written off. In advising the outcome of these negotiations, advice had been given that ANZ reserved the right to list customers with credit reference agencies in such circumstances. In fact, ANZ had already advised such a listing. Settlement was reached on the basis that such a listing had not been made, and a review was sought when it became known that the listing had already been made.

Review:

The Customer Advocate was not asked to revisit the basis of the settlement of the payment of outstanding arrears but was asked to investigate the actions taken to list the defaults, given the form of wording used that such action 'may' be taken. The Customer Advocate's review confirmed that the listing had in fact been made at the time of settlement.

Resolution:

The Customer Advocate was satisfied that the customer believed he was negotiating for a 'without prejudice' settlement and had he been aware of the fact that a listing would be made, he may have taken a different view of the advantages of settlement. Consequently arrangements were made with ANZ Consumer Finance for the listing to be recalled and the

customer and his counsellor were advised accordingly. Subsequently ANZ Consumer Finance was advised of the need to review the wording of standard letters to ensure that accurate information is being given to customers.

CASE STUDY 3 – FAILURE TO CLOSE JOINT ACCESS ACCOUNT

In this case, a failure to properly implement a customer's request to close an account led to a breach of privacy and payment of compensation by ANZ. In assessing compensation, there needs to be recognition of the nature and duration of the privacy breach and the consequences flowing from that breach.

Situation:

A customer visited a branch to close a joint access account with her former husband and opened an individual account. She later ascertained that her former husband continued to be a joint card holder, was issued with a new card, and was able to use the card to withdraw cash from the account and to check balances in his former wife's individual account. She complained to ANZ that this involved both a loss of cash from her account and a breach of her privacy in that the former husband still had access to her new account. She sought compensation.

Review:

Upon review it had been confirmed that her former husband had made withdrawals from the account over a period of time and had also accessed the account balance on a number of occasions. ANZ replaced the amount of cash that had been withdrawn. The Customer Advocate was then required to assess the amount of compensation that should be paid to recognise the ongoing breach of privacy that had occurred. After a negotiation with the customer, an amount of \$3,000 was agreed upon and this amount was paid to the customer as compensation for the privacy breaches that had occurred over a significant period of time.