The Government will introduce a new dispute resolution framework that will empower consumers in the financial sector. There will be a new one-stop shop – the Australian Financial Complaints Authority (AFCA) – for external dispute resolution and greater transparency of internal dispute resolution by financial firms.

AFCA will replace the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT). It will be established as a company limited by guarantee and will commence operations from 1 July 2018.

# Improving consumer access

AFCA will deal with all financial disputes, including superannuation disputes, and provide access to free, fast and binding dispute resolution. Financial firms will be required to be members of AFCA, and its decisions will be binding on all firms.

There will be no cost to consumers to bring a complaint to AFCA. AFCA will be able to hear disputes of a higher value so that more consumers and small businesses will have their disputes heard, and if they have wrongfully suffered a loss, access fair compensation.

AFCA will commence operations with:

* unlimited monetary jurisdiction for superannuation disputes;
* $1 million limit on the size of non-superannuation consumer disputes (a 100 per cent increase on the current limit);
* a minimum $500,000 compensation cap for non-superannuation consumer disputes (a 62 per cent increase on the current cap);
* $5 million small business credit facility limit (a 250 per cent increase on the current limit)
* $1 million compensation cap for small business disputes (a 224 per cent increase on the current cap); and
* no monetary limits or compensation caps for disputes relating to guarantees supported by a mortgage or other security over the guarantor’s primary place of residence.

Prior to commencement, there will be consultation on whether consumer disputes relating to certain products, including mortgages and general insurance products, should move immediately to a compensation cap of $1 million.

# A smooth transition

AFCA will deal with all new complaints from 1 July 2018.

The existing dispute resolution bodies will continue to operate after 1 July 2018 to work through their existing complaints.

Consumers will have the option to transfer their complaint to AFCA if they wish to do so.

The SCT has a significant backlog of complaints. It will continue to operate until 1 July 2020 to resolve disputes lodged before 1 July 2018.

Until 1 July 2020, the SCT will be funded through the Australian Prudential Regulation Authority (APRA) Financial Institutions Supervisory Levies.

# Maximum flexibility

AFCA’s operational rules will be set out in its terms of reference, which will be considered by the Minister as part of the authorisation process.

AFCA will be governed by an independent board, with an independent chair and equal numbers of directors with consumer and industry backgrounds.

The AFCA board will be responsible for determining how much funding it will require and how it will be funded.

AFCA will have flexibility in how it resolves disputes, including use of mediation, conciliation or determination.

# Addressing the needs of the superannuation sector

Superannuation complaints can be complex. They may involve third parties like employers, medical practitioners and beneficiaries to death benefits who are not members of AFCA.

The Government will ensure that AFCA has appropriate statutory powers to deal with the complexity of some superannuation disputes.

This includes powers to join third parties to a dispute and to require the production of information and documents in relation to a superannuation dispute.

In retaining key statutory powers, the dispute resolution framework for superannuation will remain substantially unchanged.

The process for resolving disputes will be determined by the body and its board.

AFCA will determine the process and time limits for resolving complaints regarding death benefits. It is expected that there will be no significant changes to the process for dealing with death benefit superannuation complaints.

# Strong regulatory oversigh**t** and enhanced internal dispute resolution

The Australian Securities and Investments Commission (ASIC) will be provided with stronger powers to oversee AFCA.

ASIC will have general directions power to ensure AFCA complies with legislative and regulatory requirements.

This will ensure AFCA delivers much needed and practical improvements for consumers and small businesses.

To increase accountability, the Government will also legislate to require financial firms to report to ASIC on internal dispute resolution outcomes.