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Internal dispute resolution

Regulatory guide – 271

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> ### This regulatory guide is for financial firms with retail clients
>
> Consumer access to fair, timely and effective dispute resolution is an essential part of the financial services consumer protection framework.
>
> Financial firms must have an internal dispute resolution (IDR) system in place to resolve complaints made by consumers. The IDR system must comply with standards and requirements made or approved by ASIC.
>
> The specific dispute resolution requirements you must meet will depend on the type of financial firm you operate. See Table 1 of RG 271 for more information.

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Financial firms must have a dispute resolution system

An IDR system is a formal process used to receive, record, investigate, and resolve complaints made by consumers.

The law imposes obligations on financial firms to have IDR procedures to deal with complaints by consumers.

Financial firms must:

- establish – and comply with – an IDR system that meets ASIC's requirements and standards, and
- be a member of the Australian Financial Complaints Authority (AFCA).

Information on how these requirements vary for different financial firms can be found in Table 1 of RG 271.

ASIC's requirements and standards for IDR

Financial firms must comply with our IDR standards for the design, implementation, and ongoing improvement of IDR processes.

These standards cover:

- a top-level commitment to effective, fair and timely complaint management
- enabling complaints
- resourcing
- responsiveness
- objectivity and fairness
- complaint management policies and procedures
- data collection, analysis and internal reporting, and
- continuous improvement of the IDR process.

See Section E of RG 271 for more information about each standard.

Financial firms must respond to consumers with enough information

Your response to a complaint made by a consumer must inform the consumer of the outcome, including either the actions you have taken to resolve it, or reasons why you reject it.

It must also include a reminder of their right to take the complaint to AFCA if they are not satisfied with your response, along with the contact details for AFCA.

We expect the level of detail in your response to reflect the complexity of the complaint and the nature and extent of your investigation.

Maximum timeframes for an IDR response apply

We expect firms to acknowledge complaints within one business day of receiving them, or as soon as practicable.

You must then provide a response to the consumer no later than 30 calendar days after first receiving the complaint. Some exceptions apply.

Maximum timeframes still apply to IDR processes that include internal appeals or escalation mechanisms, also known as multi-tier IDR processes. The timeframe for a response begins as soon as the complaint is first made.

Financial firms must notify consumers that they can access AFCA for help

As part of your IDR process, if a dispute is not resolved you must inform the consumer that they have a right to take their complaint to AFCA, along with information on how to do this.

We also expect you to include AFCA's contact details in your disclosure documents and broader communications to consumers about your arrangements for managing complaints.

Financial firms can also directly refer a complaint to AFCA for resolution, provided the consumer has given consent to do so.

Financial firms must record and report on all complaints that they receive

You must have an effective system for recording information about complaints and tracking their progress.

Most financial firms must also report this data to ASIC on a regular basis. Visit the ASIC website for more information on internal dispute resolution data reporting.

Consumer complaints can indicate systemic issues within your firm

Financial firms must have robust systems in place to ensure that possible systemic issues are investigated, followed up and reported on.

Identifying and resolving systemic issues early can also help prevent these matters being escalated to AFCA.

For more information on systemic issues, see Section D of RG 271.

Where to find more information

- Regulatory Guide 267 *Oversight of the Australian Financial Complaints Authority* (RG 267)

Important notice

Please note that the above overview is intended to give you basic information about a particular topic. It does not cover the whole of the relevant law regarding that topic, and it is not a substitute for professional legal advice. We encourage you to seek your own professional advice to find out how the applicable laws apply to you, as it is your responsibility to determine your obligations.