



**Customer Advocate Initiative:  
Post-Implementation Review**

Report commissioned by the Australian Banking Association

May 2019



We are pleased to provide our report outlining observations and recommendations from the Post-Implementation Review of the Australian Banking Association's Customer Advocate Initiative.

The appointment of Customer Advocates into many Australian banks is an important and unique initiative. Customer Advocates are there to facilitate the hearing of the customer's voice inside institutions of every size. Their role is to assimilate external perspectives and ideals of fairness, transparency, and suitable outcomes, and work with banks to shift their thinking and processes to meet these aspirations. For this reason, it is important that these roles are effective so they reach their full potential, both for banks, and for their customers.

We would like to thank the ABA for the opportunity to perform this work, and express our gratitude to all those who spoke with us, including consumer and community groups, the Australian Securities & Investments Commission, the Australian Financial Complaints Authority, individual customers, and bank staff. We want to particularly acknowledge the commitment and efforts of the Customer Advocates and their teams in collating materials, arranging interviews, and speaking with us during a period of particular intensity for their teams and the industry. We also recognise the generosity of those customers who spoke with us, who were motivated by their desire to provide honest and insightful feedback to the Customer Advocates and the industry.

Although we found that Customer Advocate roles are still evolving, maturing and embedding in many organisations, and there are some mixed levels of commitment to them, overall this initiative is a positive one, and a clear step in the right direction. With sufficient focus and investment, Customer Advocates hold great promise in playing a key role in supporting banks to meet community expectations, and to restore trust in an industry that is critical to all Australians.

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# 1 Executive summary

## Background

In April 2016, banks that are members of the Australian Banking Association (**banks; ABA**) committed to implement a number of initiatives to restore trust.<sup>1</sup> One of these was that banks would appoint a Customer Advocate<sup>2</sup> and, to support this initiative, the ABA issued Guiding Principles on the implementation of those roles (**Guiding Principles**).<sup>3</sup> The Guiding Principles stated that there should be a Post-Implementation Review (**PIR**) of the initiative. Deloitte (**we**) was engaged by the ABA to perform the PIR, which broadly considers:

- Whether banks set up the role to succeed.
- What the impact these roles have had to date.
- The changes or improvements that can be implemented to enhance the potential impact of the role.

In performing this work, we reviewed approximately 560 documents and spoke to 79 people including community and consumer advocacy groups (**Consumer Groups**), Customer Advocates, bank staff, and some customers.

## Implementation of the Customer Advocate roles

Banks have implemented Customer Advocate roles with varying degrees of alignment with the Guiding Principles. There are a number of factors that have impacted on this, both internal and external.

The mandate for Customer Advocates differs by organisation, with the most common part of each role being some form of complaints 'appeal' function. However, many Customer Advocates have much broader responsibilities, particularly in the larger and mid-sized banks, which can encompass preventative and systemic change, ensuring that the bank is taking action to protect and better serve vulnerable customers. The scope of the Customer Advocate role is tending to expand over time as organisations realise the potential for change arising from a role dedicated to approaching issues from the customer's perspective. In **Section 2: Understanding the different Customer Advocate models**, we provide an overview of how Customer Advocates have been set up, and how these have evolved to date.

### Features of stronger implementation

Key features of stronger implementation are as follows, with the first three being the most important factors we identified:

- **Visible senior engagement and support** – the CEO and Board have high visibility of, and clear support for, the role. Some Customer Advocates cited weekly, or even daily, conversations with senior leaders such as the CEO or Chairman.
- **The skills and experience of the Customer Advocate** – the Customer Advocate is senior with strong influencing skills and conviction, and good judgement. They also have the courage and sometimes resilience to challenge the organisation's existing systems, processes, and mindsets, and recognise that the fairest outcome may not always deliver what the customer wants.
- **Appropriate resourcing** – there are the right resources (both in numbers and skills) to fulfil the Customer Advocate's mandate, and flexibility in resourcing during periods of increases in workload, such as higher complaint volumes and complexity.
- **Broad mandate or influence** – the role has a broader mandate, which can include prevention of conduct issues, and influencing the organisation's products, services and processes to focus on delivering fair outcomes for customers.
- **Strong collaboration** – if the role has a narrower mandate, such as focusing mainly on customer complaint resolution, the Customer Advocate gains broader influence and impact through strong collaboration with other functions or related roles inside the organisation that have prevention, systemic issues or complaints management and data analysis responsibilities, with a focus on customer outcomes.
- **Internal awareness** – there is strong internal awareness of the Customer Advocate, which can be enhanced through internal communications programs about complaints and customer issues across the broader staff base, and the Customer Advocate influences the thinking of senior leaders.

<sup>1</sup> In 2016 21 member banks agreed to implement the initiatives.

<sup>2</sup> The commitment to appoint a Customer Advocate has subsequently been added to the new ABA Banking Code of Practice published September 2018 (Commitment 193).

<sup>3</sup> ABA Guiding Principles – Customer Advocate, 30 September 2016.

### Where challenges exist

Some examples of weaker implementation, or where there can be improvements, include:

- **Lack of organisational buy-in** – in some banks, we observed poor organisational support for the Customer Advocate, including a lack of senior management buy-in or the apparent provision of ‘lip service’ to the role. However, we note that two of the banks we were most concerned about in relation to this issue have, since we provided feedback, commenced reviewing or implemented improvements in this area.
- **Poor ownership of the resolution of identified issues** – where the Customer Advocate has identified a genuine systemic issue, the issue is not clearly owned and resolved by management.
- **Lack of resources** – a number of Customer Advocates cited inadequate resourcing as a key obstacle in their ability to focus on proactive initiatives.
- **External or internal disruption** – for some banks, prolific organisational change, and intense external pressures such as the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (*Royal Commission*), have created headwinds in implementing many changes, including for Customer Advocates. However, for other banks, these very challenges actually bolstered the Customer Advocate by providing a burning platform, allowing them to gain rapid visibility and traction.

- **Customer experience v customer outcomes** – blurring the roles of the Customer Advocate between ‘customer experience’ and ‘customer outcomes’ can de-emphasise the priority of ensuring the fair treatment of customers. While there is some cross-over between these focus areas, it is important for a Customer Advocate to focus on issues such as whether a customer is sold the right product, is treated fairly, and has appropriate access to seamless, fair and effective dispute resolution.
- **Poor communication to customers** – in many Internal Dispute Resolution (*IDR*) letters, it is not made sufficiently clear to the customer that, regardless of whether they escalate their complaint to the Customer Advocate, they will still have access to External Dispute Resolution (*EDR*), such as the Australian Financial Complaints Authority (*AFCA*), for a period.
- **External awareness** – only the larger, more prominent Consumer Groups were aware of Customer Advocates, mostly from the larger banks and, conversely, it appears that smaller groups and individuals providing community support, such as financial counsellors, are largely unaware of the roles, their purpose, and how and when they can access Customer Advocates.

We provide more detailed observations on implementation in **Section 3: Key observations on implementation**.

### Impact of Customer Advocate roles

Notwithstanding the above, the people we spoke to during this review believed that the appointment of Customer Advocates is positive, and a step in the right direction by the banks. This view was shared across all groups we spoke to, including Consumer Groups (who remain cautiously optimistic), staff within the banks, and the customers we spoke to.

Some key areas where Customer Advocates have made an impact are:

- **Individual customer complaints** – Customer Advocates have been able to ‘cut through’ longstanding or complex complaints to reach a resolution with customers, and provide the organisation with insights as to how complaints became entrenched in the first place. External Stakeholders<sup>4</sup> told us that they value being able to refer individual customer issues to the Customer Advocate, and achieved good outcomes for customers when they did.
- **Vulnerable customers** – we observed strong examples of changes and improvements to support vulnerable customers that were driven by the Customer Advocate. Some Customer Advocates have established meaningful dialogue with Consumer Groups, and actively seek their insights and experience so they can create more relevant and targeted activities in this area.

<sup>4</sup> In this report, we refer to the 10 non-bank organisations that participated in this review which include Consumer Groups, the Australian Financial Complaints Authority, and the Australian Securities and Investments Commission as External Stakeholders. Refer to **Appendix B** for the full list.

- **Systemic issues** – External Stakeholders were very encouraged by the Customer Advocate roles that include identifying and improving systemic issues, and felt this was the most valuable element of a Customer Advocate's mandate.
- **Cultural change** – One senior executive told us the Customer Advocate helped change the culture in the bank, which actively used the Customer Advocate's message of fairness and understanding of what is behind a customer complaint to support a broader campaign to pivot the organisational focus toward the customer.

We heard many examples of the impact Customer Advocates have had for individual customers, and within the banks. Some of these can be found in **Appendix A: Analysis against the Guiding Principles and recommendations**. Whilst recognising these advances, External Stakeholders felt there was an opportunity for more transparency on what the Customer Advocates were achieving, and how banks were changing, in order to support a worthwhile ongoing dialogue between Customer Advocates and External Stakeholders. This need for greater transparency and communication about the roles extended to staff inside the banks, and also to ensure smaller banks and smaller Consumer Groups had access and could contribute to these insights and subsequent changes.

Notably, we are also seeing a number of non-bank organisations are interested in appointing Customer Advocates. In this regard, the banking industry is leading the way in establishing and maturing these roles.

## Recommendations

As noted above and in our main Report, while this initiative is positive, there is still work to be done in effectively empowering and embedding many of the Customer Advocate roles within the banks. We have made **16** recommendations for the ABA and banks to consider in order to support this objective. Our recommendations relate to five key areas:

1. Raising awareness of the role
2. Improving communication to customers
3. Improving transparency, accountability and reporting
4. Formalising governance of the Customer Advocate role
5. Reviewing the ABA Guiding Principles

The six most significant recommendations we have made are:

- Although the majority of Customer Advocates already achieve this in practice, consider more closely aligning the stated purpose of Customer Advocate roles with the Statement of Guiding Principles in the new ABA Banking Code of Practice (the **Code**)<sup>5</sup> to reflect a stronger focus on fair treatment of customers and achieving good customer outcomes (**Recommendation 16**).
- Consider how awareness and transparency of Customer Advocate roles and their work and achievements can be raised among Consumer Groups, and interaction between those groups and Customer Advocates can be made easier and more accessible to a broader range of stakeholders (**Recommendations 6**).

- Ensure that systemic issues raised by Customer Advocates receive the appropriate attention, accountability and resolution (**Recommendation 15**).
- Review the roles and resourcing of Customer Advocates on a regular basis (**Recommendation 1**).
- Improve communication with customers about the roles, including providing clearer contact information on websites, and better clarity about the right to access AFCA (**Recommendations 8 and 14**).

Our recommendations appear throughout the body of the Report, with a full list in **Appendix C: Recommendations**.

<sup>5</sup> ABA Banking Code of Practice, published in September 2018.

## 2 Background, scope and approach

### Background

In April 2016, banks that are members of the ABA committed to implement a Banking reform program.<sup>6</sup> This initially comprised six initiatives designed to ensure banks protected customer interests, and increased transparency, accountability and trust in the banking sector (**Banking Reform Program**). One action under the program was that the banks committed to establish a dedicated Customer Advocate role to help facilitate fair complaint outcomes, and minimise the likelihood of future problems for customers. The commitment to appoint a Customer Advocate is also set out in Chapter 46 of the Code.

The ABA supported the industry by issuing Guiding Principles for the establishment and operation of the Customer Advocate role. The stated core objectives and outcomes the Customer Advocate would or may pursue are:

- Enhance existing complaints processes and ensure customer complaints are escalated, and responded to, within specified timeframes, and that responses are thorough and fair (stated as the core objective).
- Influence systems, processes, and decision-making.
- Act as an internal escalation point for difficult issues.
- Identify systemic issues or problems within the bank.
- Shape or oversee remediation programs.

The Guiding Principles provide banks with the flexibility to design the Customer Advocate role to fit their business model, and allow them to define both the scope of the role, and its operating structure, and provide for a Post-Implement Review (**PIR**). In late 2018, the ABA appointed Deloitte to conduct that review.

The three broad objectives of the PIR were to consider:

1. **Implementation:** understand the different Customer Advocate models that exist in the industry, and assess the extent and the manner in which banks have applied the Guiding Principles. In effect, have banks set up the Customer Advocate to succeed?
2. **Impact:** understand the impact that the Customer Advocates are having in the banks, and for customers, with a particular focus on vulnerable customers.
3. **Recommendations:** based on the above, identify recommendations to enhance the implementation and embedding of Customer Advocate roles, including recommendations on potential changes to the Guiding Principles to drive a greater degree of consistency across the banks.

The observations we have made in this Report need to be understood in the context that this PIR was, due to the timing indicated in the Guiding Principles, conducted at a relatively early stage, and before the Customer Advocates roles have had the opportunity to mature and fully embed in organisations.

However, there are benefits of conducting the review at this point. Since the establishment of these roles, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (**Royal Commission**) has been called, taken place, and issued its final report. A review at this stage can showcase better practices, reflect on the progress made to date with Customer Advocate roles, and identify opportunities to recalibrate and enhance their potential impact in light of their overall strategy and response to the Royal Commission and other external demands.

<sup>6</sup> In 2016 21 member banks agreed to implement the initiatives.

## Scope of the review

Seventeen banks participated in this PIR, which are listed in the table below.<sup>7</sup> The participating banks were grouped into three categories so we could better consider the different models and impact across natural peer groups based on size. Category 1 comprises the four largest banks. Category 2 comprises a selection of banks that agreed to participate in a more detailed review of their Customer Advocate implementation to enable us to identify how mid-sized banks had approached the Customer Advocate role. All other banks are in Category 3, which comprises both mid-sized and small banks.

Where relevant in this Report, we have mentioned which category a bank falls into. However, for the most part, we have not referred to these categorisations as we identified a range of practices within each peer group, and the size of the bank was not necessarily indicative of how, or even how effectively, the role had been implemented.

Our scope did not include:

- A detailed individual assessment on the extent to which each participating bank has met the Guiding Principles.
- A performance or other review of each individual Customer Advocate.
- Any assessment of the IDR and EDR functions and complaint handling processes, systemic issues processes or remediation processes.
- An assessment of the culture within banks.
- Testing the effectiveness of any of the programs or initiatives undertaken by the Customer Advocates, or examining any individual complaint reviews.
- Designing mechanisms for measuring the effectiveness of the Customer Advocate function.

Category	Type	Participating Banks	Total
1	Major Banks	Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, National Australia Bank Limited, and Westpac Banking Corporation	4
2	Mid-sized banks including regional and international banks	AMP Bank Limited, Bank of Queensland Limited, Bendigo and Adelaide Bank Limited (includes Rural Bank Limited), ING Bank (Australia) Limited, and Suncorp-Metway Limited	5
3	A combination of mid-sized and small banks	Arab Bank Australia Limited, Bank Australia Limited, Citigroup Pty Ltd, HSBC Bank Australia Limited, Macquarie Bank Limited, Members Equity Bank Ltd, MyState Bank Limited, and Rabobank Australia Limited	8
			<b>17</b>

The ABA appointed former Auditor-General, Mr Ian McPhee AO PSM (**Mr McPhee**), as an independent governance expert to report quarterly on the progress of the Banking Reform Program. Mr McPhee issued eight reports in total, all of which comment on the implementation of the Customer Advocate initiative which forms part of Initiative 2 of the Banking Reform Program: 'Making it easier for customers when things go wrong'. Our review is different from Mr McPhee's assessment of the implementation of the Banking Reform Program. The overarching purpose of this review is to support the continued improvement of the outcomes delivered to customers, and to help frame how these roles can have the greatest impact, and help define appropriate standards for them.

This review does not specify which individual banks are, or are not, meeting the Guiding Principles, and we do not name individual banks in our findings. This is for three main reasons. First, this review was not an audit of the Customer Advocate initiative, which would require a significantly different scope. Second, the Guiding Principles are highly qualitative in nature, and would be open to a range of interpretation. Finally, we wanted to encourage the greatest level of transparency and openness in sharing information and insights for this review, in order to identify the stronger and weaker practices and create a useful guidance document for the ABA and the banks.

<sup>7</sup> In all, 20 of the ABA's 24 bank membership (being those with retail businesses) appointed Customer Advocates by the target implementation date of June 2017. Two banks have since withdrawn from membership of the ABA and one bank that has appointed a Customer Advocate did not participate in this review.

## Our approach

We performed a more in-depth review of banks in Categories 1 and 2, and a less detailed review of those in Category 3. Our approach involved:

- A document review, where documents were provided to us based on a structured request list based around the Guiding Principles.
- Interviews with:
  - The Customer Advocates.
  - Some of the internal stakeholders of the Customer Advocates.
  - Five customers<sup>8</sup>.
  - 10 non-bank stakeholder organisations, including Consumer Groups, AFCA, and the Australian Securities and Investments Commission (**ASIC**). In this Report, we refer to these organisations as **External Stakeholders**.

In total, for this review, we reviewed approximately 560 documents, including publicly available information such as bank websites, and we spoke to 79 people as follows:

- 57 people were interviewed from 17 banks.
- 17 people were interviewed from 10 External Stakeholder organisations.
- Five customers.

More information on our scope and approach, including role titles of interviewees, is in **Appendix B: Scope and approach to conducting this review**.

## Report Structure

Our Report is divided into the following sections:

- **Section 1:** Background, scope and approach (this section)
- **Section 2:** Understanding the different Customer Advocate models
- **Section 3:** Key observations on implementation
- **Section 4:** What do External Stakeholders think?
- **Section 5:** What do Customers think?
- Additional detail is in the Appendices:

Appendix	Contains our
<b>A</b>	Analysis against the Guiding Principles and recommendations <ol style="list-style-type: none"> <li>1. Have banks set up the Customer Advocate to succeed?</li> <li>2. What impact are the Customer Advocates having in the banks and for customers?</li> <li>3. How are Customer Advocates helping vulnerable customers?</li> <li>4. Recommendations on changes to the ABA Guiding Principles</li> </ol>
<b>B</b>	Scope and approach to conducting this review <ol style="list-style-type: none"> <li>1. Our scope and approach</li> <li>2. Banks – interviews and document reviews</li> <li>3. Interviews with External Stakeholders and Customers</li> </ol>
<b>C</b>	Recommendations

<sup>8</sup> Details of our approach to selecting customers and the limitations of our approach appear in **Appendix B: Scope and approach to conducting this review**.

### 3 Understanding the different Customer Advocate models

This section provides an overview of the different Customer Advocate models that exist across the banks.

#### **Maturity of Customer Advocate roles**

All banks that agreed to appoint a Customer Advocate did so by the target implementation date of June 2017.<sup>9</sup> Four banks had a similar role prior to this initiative being announced by the ABA, and most were revisited as part of the Customer Advocate initiative. Some banks appointed an individual to the role in late 2016 but did not publicly announce the role until early 2017 as time was spent on defining the role and structure of the Customer Advocate function. The differences in timing of the appointments and go-live dates means that varying levels of maturity and embedding exist, with some still in the earlier stages.

#### **What types of Customer Advocate models exist across the banks?**

The Guiding Principles provide banks with the flexibility to design the Customer Advocate role to fit with their business model, and allow them to define both the scope of the role, and its operating structure.

For this reason, banks have adopted a range of different models for their Customer Advocates. Even within each of the categories we used for this review, there were quite different models, although Customer Advocates in smaller (Category 3) banks tended to also be responsible for another role, due to size.

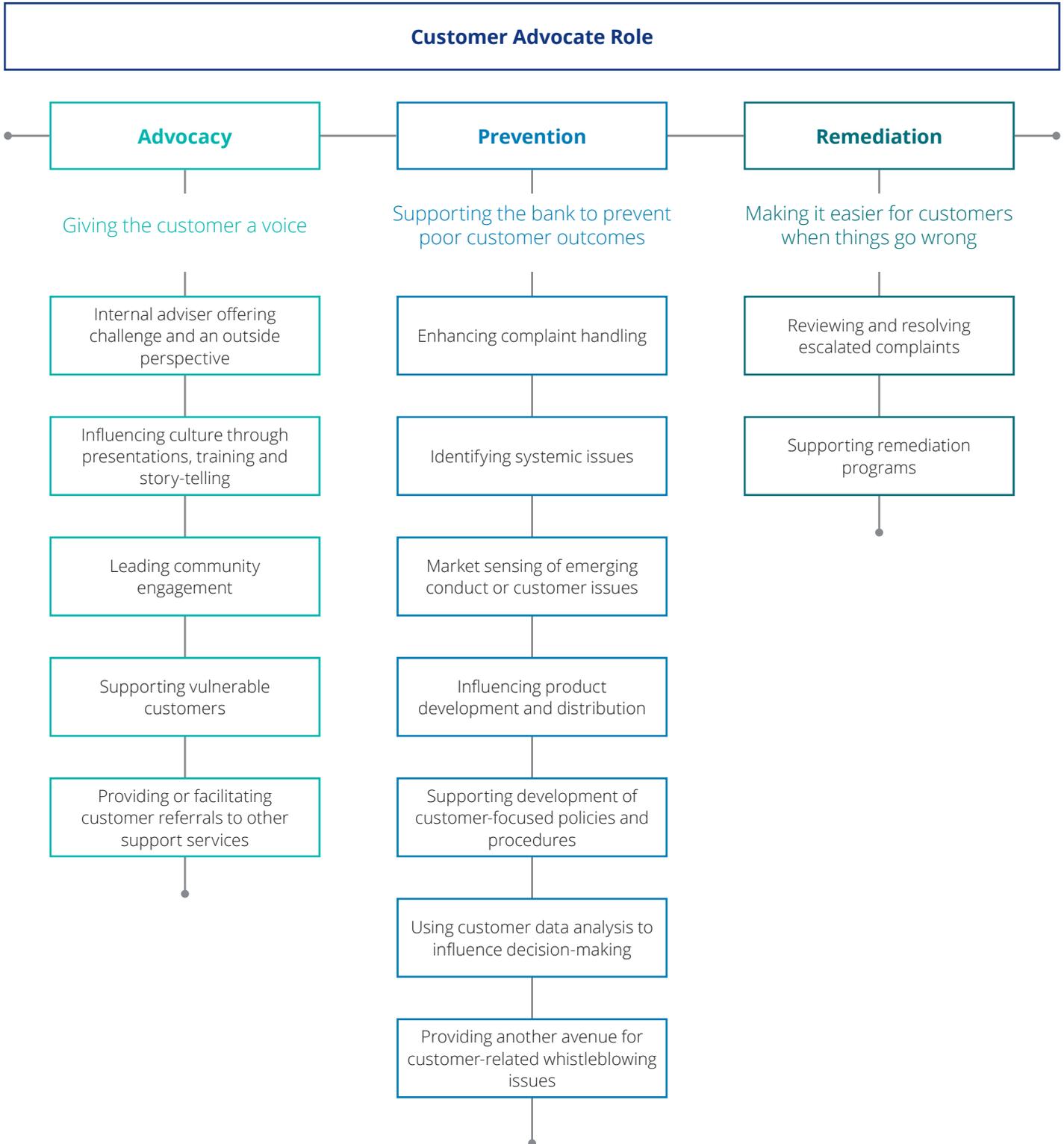
At one end of the spectrum, there is a function with a broad mandate that includes complaints escalation, improving the system for resolving complaints, identifying systemic issues, prevention, data insights, and overseeing and reviewing remediation processes. At the narrower end of the spectrum, Customer Advocates tend to have a smaller mandate focused on reviewing escalated complaints.



<sup>9</sup> ABA Banking Reform Program: Annual Report – How Australia's banks are making a better banking industry, 1 May 2017, p.5.

**Potential span of a Customer Advocate role**

Below is an illustration of the types of responsibilities that a Customer Advocate role could include.



### Other roles in organisations that are complementary to Customer Advocate roles

One reason Customer Advocates have different mandates, and why a Customer Advocate's mandate may not encompass all of the above, is because organisational structures vary. In some organisations, there are roles that are complementary to the Customer Advocate and fulfil some of the suggested responsibilities for Customer Advocates that are indicated or specified in the Guiding Principles. For example, one bank has a Customer Fairness Adviser. In another, a senior executive is responsible for the resolution of customer issues, including systemic issues, and prevention of poor customer outcomes. In both cases, the Customer Advocate works very closely with the related roles. Where there was another individual role that reflected one or more of the functions of what a Customer Advocate would do, we considered this role in our review for completeness.



I make it clear to customers I'm not here to negotiate an outcome for them with the bank. My role is to take a fresh look at their complaint.

- Customer Advocate

### Complaints escalation – different approaches

With the exception of one Category 3 bank, the mandate for all Customer Advocates includes considering complaints 'appeals' or escalations from IDR.<sup>10</sup> Despite this commonality, banks had different approaches:

- For 14 out of the 17 banks, the Customer Advocate's contact details are provided on the bank's Complaints webpage, and on all IDR outcome letters. Generally, customers are then able to self-escalate their complaint to the Customer Advocate.
- There are two banks that have adopted a different model:
  - For one bank, the Customer Advocate's contact details are only provided on IDR outcome letters to customers who IDR teams have identified as vulnerable, and EDR letters where the complaint is outside AFCA's terms of reference. The Customer Advocate's contact details are provided on the bank's website, but are not displayed on the Complaints webpage.
  - For another bank, Customer Advocate reviews are offered to customers via internal referral from both IDR and EDR teams, and through Consumer Groups, or at an Executive's request. Information about the Customer Advocate is provided on the bank's Complaints webpage, but customers are not able to directly contact the Customer Advocate (no contact details are provided).
- Where banks have wealth management and insurance subsidiaries, the Customer Advocate role covers complaints from those businesses.
- Similarly, where the bank is a subsidiary of a broader financial services group, the Customer Advocate's role may cover all retail and small business customers of those related businesses.

### How are Customer Advocate models evolving?

#### Expansion of roles and resourcing

Although it is still early days, the span of Customer Advocate roles, and the size of their teams, is tending to increase over time. The scope of the Customer Advocate role has expanded for six of the 17 banks. Customer Advocates are taking on more responsibility in relation to the types of complaints that can be reviewed, and also are becoming more involved in preventing future problems within the bank, such as by contributing to product governance, systemic issues, decision-making, and cultural change. In addition, resourcing increases have been necessary in many banks due to spikes in the number and complexity of referred customer complaints during 2018 and 2019.

For example:

- One Customer Advocate's starting mandate was primarily to review customer complaints escalated internally from the IDR function where the customer was identified as vulnerable, and the decision was against the customer. The Customer Advocate's mandate has since expanded twice to include complaints that are directly escalated from customers, and internal referrals on an ad hoc basis, and they have become involved in numerous internal forums and initiatives.
- Another bank expanded the Customer Advocate's mandate by including Multicultural Community Banking, a division responsible for grassroots community engagement to support enhancing financial inclusion, and a dedicated systemic issues team responsible for managing potentially systemic issues identified through the investigation of complaints.

<sup>10</sup> The Customer Advocate for one bank does not manage individual complaints and disputes, but works with team members across the bank to identify if there are system, process or service issues emerging that need to be addressed.



From our interviews, this expansion appears to be driven by a number of factors:

- Organisations are seeing what the Customer Advocate can do, and begin to formally allocate more responsibilities to them, including to play a role in positively influencing culture.
- As the Customer Advocate expands their network and profile within the bank, they are invited to attend existing and new forums that are being created to address historical problems, and prevent future issues, and contribute to other related initiatives.
- Banks are engaging in new activities to prevent conduct issues (e.g. systemic issues functions), and some of these are allocated to the Customer Advocate to take accountability for.
- Existing activities or projects that relate to fair treatment of customers, and accessibility, are transferred to the Customer Advocate function due to a clear alignment with the Customer Advocate's role.

In smaller banks, Customer Advocate roles have tended to remain unchanged, which seems to be an outcome of both their scale, and the views of those banks that they do not experience the same systemic issues as larger banks do. In large banks, one longstanding Customer Advocate role has not changed significantly, which appeared to indicate that the bank did not feel it was necessary to revisit the scope or design of the role. However, given the volume of external pressures, the bank implemented other complementary roles that could potentially have formed part of the Customer Advocate's mandate.

We did not hear any evidence of the contraction in the mandates of Customer Advocates.



If you are struggling to deal with Community Expectations, why wouldn't you use this role as a resource?

– Customer Advocate

### Changing operating structures

Some banks have periodically evaluated the operating structures of the Customer Advocate role to identify if changes are required to increase their efficiency, effectiveness and impact. Organisational changes such as restructures and changes in leadership have prompted other banks to reflect on existing operating models, and implement changes. Some banks have realigned the role within the organisation. For example, two Category 3 banks initially assigned a Customer Advocate role to an existing employee of the bank with responsibility for managing the complaints handling teams, and:

- In mid-2017, one bank reassigned the Customer Advocate role to the Chief Risk Officer (**CRO**).
- In early 2018, another bank reassigned the Customer Advocate role to a position within the Chief Experience Officer's team, to a role that shares more synergies with the Customer Advocate role. One of the reasons for this change was to provide the Customer Advocate with a greater level of independence from the business and separation from the complaints handling teams.

This reinforces the need for banks to revisit their Customer Advocate roles on a regular basis.

## 4 Key observations on implementation

In the months after the Customer Advocate initiative was announced, the ABA worked with banks to develop Guiding Principles for the establishment and operation of the Customer Advocate role, and to drive a level of consistency across the sector. The Guiding Principles, available on the ABA's website, contain seven sections and at a high level capture:

- The need to have a clearly defined purpose for the Customer Advocate role that is tailored for the bank.
- Ways in which roles and responsibilities can be executed in practice, including minimum expectations.
- Ways in which the role can be operationalised so it operates separately from the business units within banks.
- Expectations regarding communications about the role both internally and externally.
- Monitoring the awareness and effectiveness of the Customer Advocate.

In this section, we outline what we consider are the most significant factors in the implementation of the Customer Advocate roles, the better and poorer practices that emerged from our review, and a summary of our recommendations to improve the implementation and embedding of the role. Although it was the ABA that engaged us to conduct this review, our recommendations are relevant to the banks, and we have therefore indicated where we recommend that banks consider these items. Additional detail and context for the recommendations are in **Appendix A: Analysis against the Guiding Principles and recommendations**.

### Role design

#### What is the most important part of what a Customer Advocate can do?

The Guiding Principles mention minimising the likelihood of future problems as being part of the purpose of the role<sup>11</sup>, and states the Customer Advocate should recommend opportunities to make a positive difference to customers in broader initiatives, processes, issues and remediation<sup>12</sup>.

Stakeholders, both from outside and inside the banks, felt that while there was value in Customer Advocates helping the banks to resolve individual complaints, the greatest value of Customer Advocates was in identifying systemic issues, and preventing future problems such as through influencing product and service design.

Our review found many Customer Advocates focused solely on complaints reviews. This was either because the mandate of the role was restricted to or largely focused on this element, or because resourcing constraints have limited the Customer Advocate's ability to focus sufficiently on identifying systemic issues or problems within the bank.

For this reason, banks with narrower Customer Advocate roles could consider whether they should expand their mandate or revisit their operating model to enable a specific focus on prevention and identifying emerging and systemic issues, and supporting wider cohorts of customers such as through becoming involved in customer remediation projects or influencing product development and distribution processes. This may not be necessary in cases, for example, where the bank already has functions that have sufficient focus on these.



### Recommendation 1

#### Role design and resourcing –

Since the Customer Advocate role will mature and change over time, and each bank's needs will also evolve, banks should consider the following:

- If their Customer Advocates focus predominantly on complaints reviews, whether their role should be expanded to focus on identifying systemic issues, and preventing future problems for customers.
- Periodically review:
  - Their Customer Advocate roles, to both test whether they are fully utilising the role, consider new responsibilities, and ensure their delegations are sufficient.
  - Whether the Customer Advocate has appropriate resourcing to meet their mandate.

<sup>11</sup> Guiding Principle 1

<sup>12</sup> Guiding Principle 4.2(e)

**The overall purpose of Customer Advocate roles: greater focus on fair and suitable outcomes over customer experience**

The stated purpose for all Customer Advocates are, at a high level, consistent with making it easier for customers when things go wrong.

Customer Advocates in seven banks also had responsibility for customer experience. Customer experience is often associated with the more traditional use of the term ‘customer advocacy’, which has as its core objective making the customer an advocate for the bank. While this is an important strategic goal for banks, it tends to blur the discussion about Net Promoter Score and customer journeys (which are somewhat easier to measure), with those of fair and suitable outcomes. We note there is some cross-over between how organisations can interpret ‘customer experience’, and delivering fair and suitable outcomes for customers, and the Guiding Principles also mention customer experience as one of the potential roles for the Customer Advocate.<sup>13</sup>

Notably, a customer may have what they perceive is an excellent and seamless experience with the bank, but still be treated unfairly by being mis-sold a product, or being given advice that is not in their best interests. Since this combination of roles occurs in smaller and some mid-sized banks, but not in large banks, the lower levels of resourcing makes this a particular risk.

In light of the objective of rebuilding trust, the findings of the Royal Commission, and the Statement of Guiding Principles in the updated Code, it is important for a Customer Advocate to be clear on the differences, and ensure that there is sufficient focus and weight on achieving fairness and suitable outcomes for customers. Accordingly, the ABA should consider revisiting this core statement of the purpose of these roles to refocus them on the achievement of fair and suitable outcomes for customers. This recommendation is captured in a broader recommendation detailed in **Appendix A: ‘4. Recommendations on changes to the ABA Guiding Principles’.**

**Key factors for implementation**

For the purposes of the review, we consider the indicators of more effective implementation of Customer Advocate roles include: the Customer Advocate fulfilling all parts of the agreed mandate of the role, the Customer Advocate demonstrating they are making a meaningful difference for customers, and high internal and external levels of awareness of the role.

There are many factors that will influence the effectiveness of Customer Advocate roles, and these can be different for each bank. From our review, three factors stood out as having the greatest influence on the effectiveness of Customer Advocates and their implementation:

 **Visible senior engagement and support**

 **Skills and experience of the Customer Advocate**

 **Appropriate resourcing**

We consider these factors, and our overall observations on the alignment with them by banks, below.

 **Visible senior engagement and support**

One of the Guiding Principles notes that the Customer Advocate should have regular access to the CEO, senior executives and/or the Board and organisational buy-in. This could be achieved by reporting lines or unfettered access, Executive sponsorship for the role, access to key business decision-makers, regular scheduled meetings or reports, or some combination of these. We observed varying degrees of alignment with this Guiding Principle.

Organisational support and belief in the Customer Advocate role is essential for success. In practice, it manifests through the engagement and support of the organisation’s most senior leaders. The absence of senior support and sponsorship can severely hamper the potential impact of the role, leaving the Customer Advocate sidelined and impotent.



<sup>13</sup> Guiding Principle 1.5 notes: "The Customer Advocate is not a substitute for existing complaint handling or dispute resolution processes or functions, however, will serve to enhance the customer’s experience". Elsewhere the Guiding Principles note: "Member banks have committed to introducing a Customer Advocate within each bank to help them handle complaints better, improve customer experience, [...]"

### Better practices

The CEO, senior leadership and/or the Board have high visibility of, and clearly demonstrate their support for, both the role, and the Customer Advocate themselves. They actively encourage others to seek out the views of the Customer Advocate, and give weight to their decisions and/or recommendations. This occurs through both the direct actions of the most senior leaders, as well as their indirect support and endorsement. This support needs to be well understood by others in the organisation, particularly the CEO's Direct Reports and other senior leaders.

We have seen a number of examples of strong organisational support for the Customer Advocate and their work, with better practices including:

- **Regular interaction with the CEO and other senior leaders**

- Weekly or even daily conversations with the CEO or Chairman, comprising a mix of both formal and informal interactions. Importantly, better practices involve not just a certain quantity of access; it is predicated on that access being quality access. There is a very large difference between presenting reports to an Executive team or Board that ultimately change nothing, and having informal unplanned conversations with the CEO in the hallway that end up triggering an overhaul of current processes.
- The Customer Advocate is regularly invited to Executive Committee meetings to present, shown respect and asked questions that reinforce a genuine interest in the role. The issues they raise gain immediate traction, and are followed through to resolution.
- The CEO personally meets with the Customer Advocate to discuss complaints that the Customer Advocate is responding to on behalf of the CEO.

- **Direct and indirect support from the CEO**

- The positive interaction between the CEO and Customer Advocate is apparent to staff at all levels, such as appearing together at internal senior leadership meetings and public forums.
- Providing an office for the Customer Advocate role on the Executive floor.
- A direct reporting line to the CEO sends a clear message to the organisation that the role is taken seriously and is not just a tick-box exercise.
- The Chairman and CEO letter in the bank's annual report or the Chairman's Annual General Meeting speech, explicitly highlight the role and impact of the Customer Advocate.

- **The Customer Advocate is a member of, or an influential attendee at, key governance committees or forums**

- Customer Advocates attend and present at Board Committees, including the Board Risk Committee or Customer Committees. Customer Committees are an emerging form of Committee at the Board and Executive level, the focus of which is the organisation's impact on customers and other stakeholders. Where these are being created, they are a natural forum to which Customer Advocates can provide reporting and insights.
- The Customer Advocate attends internal forums, such as Product Governance or Complaint Review sessions.

- **The Customer Advocate is empowered**

- Many Customer Advocates have delegations that permit them to bind the organisation to financial decisions on complaints.
- Where explicit delegations are not given, the business understands the Customer Advocate's view will likely have the CEO's endorsement if the issue were to be escalated, and the business takes action on their recommendations even without a binding authority.

### Poorer practices

We also observed poor organisational support for the Customer Advocate, including a lack of senior management buy-in or the apparent provision of 'lip service' to the role. Poorer practices include:

- No regular or informal meetings with the CEO or Board. If the meetings do happen, they do not provide senior leaders with valuable customer or organisational insights, and there is no or weak follow up on issues that are raised.
- The Customer Advocate is not invited to, or requested to provide reporting for, Board or senior executive meetings.
- One Customer Advocate noted that a direct channel to the CEO existed in theory (and was stated in their Terms of Reference), but they did not feel the CEO was accessible in practice.
- A lack of senior focus and sponsorship for the role – in one bank, the Customer Advocate function was essentially orphaned for the better part of a year during a significant phase of organisational change. During this period, the Customer Advocate did not appear to report to anyone, and received no performance review.
- High turnover of Customer Advocates – one bank had particularly high turnover in the Customer Advocate role, which was accompanied by internal disagreement about the role's mandate, and no documented charter or role description.



## Recommendation 2

### Regular access to CEO, senior executives and/or Board –

Senior executives and Boards should actively consider whether they have sufficient engagement with the Customer Advocate, and whether their actions demonstrate their ongoing support for the role and the work that the Customer Advocate is doing. Customer Advocates should ideally report to, and interact with, the Board and senior executives on a regular basis.



## Skills and experience of the Customer Advocate

### Key qualities of a Customer Advocate

The Customer Advocate needs to have a unique combination of skills, conviction, and style. It is critical that they are respected within the organisation, and able to influence change by articulating why change needs to be made, as well as knowing who to influence and how, from the Board down to more junior staff. They need a very strong sense of integrity and an understanding of what fair and suitable customer outcomes should look like, and be capable of challenging entrenched business models and thinking. They also need to recognise that not all decisions will fall in favour of the customer, and that the fair outcome could end up being in favour of the bank. They must also have the courage and resilience to press for change, sometimes against internal resistance and scepticism. Finally, they have to come with wisdom and experience to know when a battle is worth fighting, and when to leave an issue for another day.

We asked Customer Advocates' internal and external stakeholders for their views on the qualities that made them successful. They believed the Customer Advocate needs:

- To be senior, with strong influencing skills and the ability to 'take people on the journey' when advocating for unpopular changes.
- The courage to challenge the organisation's existing systems, processes, and mindsets and make judgement with less than perfect information and on 'grey' areas.
- Strong empathy and communication skills to enable them to deal with customers from a variety of backgrounds and types of vulnerability.

“

We are the heartbeat of the Customer

- Customer Advocate

“

The Customer Advocate earned the right with the Board to speak freely

- Internal Stakeholder

### The Inside Outsider

The decisions that organisations make, and their effects, are now highly transparent and subject to intense scrutiny. It is essential that organisations – banks included – consider different ways of working and incorporating more diverse, non-traditional, perspectives and challenge in order to drive cultural change and sounder decision-making.

A major driving force for fairness and ethical behaviours from organisations – and in particular towards the customer – has come from increasingly influential external voices. This includes customers themselves, as well as the media, EDR bodies, regulators, politicians, and the ever-increasingly influential Consumer Groups.

Customer Advocates have both an exciting, but also a challenging, role: they are intended to bring this external perspective inside the organisation, and use it to ensure the customer's voice is heard. This is most obvious where some banks have appointed Customer Advocates with a track record of consumer advocacy, such as former ombudsmen. They are there to actively challenge the bank, whether by reviewing customer complaint decisions, or taking a broader view of fairness and shining a light on systemic issues or poor outcomes. Inevitably, at least if they are fulfilling the broader intent of their roles, they will challenge existing ways of working within the bank, creating natural tension, and potential conflict. At the Royal Commission, for example, the Commissioner noted two instances of Customer Advocates actively calling out issues they had identified within the organisation, and challenging the organisation to be better.<sup>14</sup>

It is fair to say, then, that the role calls for a certain type of person: the Customer Advocate is the 'Inside Outsider'.



The Customer Advocate is like the ambulance at the bottom of the cliff

– Internal Stakeholder



### Appropriate resourcing

One of the Guiding Principles notes that the Customer Advocate should be effectively resourced to ensure it can carry out its role, function and responsibilities. Adequate resourcing not only includes the number of people in the team; it also includes ensuring that there is the right mix of seniority, skills and experience to perform the function effectively. We observed varying degrees of alignment with this Guiding Principle. Some roles have been set up with adequate resources, and resources for the function have grown since the role launched. For others, the lack of appropriate resources was cited as a key obstacle in their ability to focus on proactive initiatives as part of their role, such as investigating potentially systemic issues, or engaging with Consumer Groups.

Resourcing the Customer Advocate role appropriately is essential for the success of the function, for more reasons than one:

- Proper resourcing, and the ability to access or gain approval for additional resources quickly, appeared to be a strong indicator of good organisational support for the role.
- Customers frequently experience fatigue if their complaint takes too long to resolve, causing them to give up on their complaint, and 'drop out' of the system. Accordingly, complaints need to be resolved efficiently, and the Customer Advocate needs to have enough resourcing to maintain ongoing communication with the customer in order to manage the complaint and the customer's expectations.

- A lack of resources will drive Customer Advocates to deal with the most pressing issues they have, which are likely to be individual customer complaints, at the expense of focusing on the higher impact part of their mandate, such as identifying systemic issues, and helping the bank to prevent future problems.
- Part of the Customer Advocate's role in reviewing a complaint should be to consider whether there is evidence of any systemic issues. If a team is too stretched, they are more likely to curtail their reviews, potentially just reviewing the existing complaint file, rather than conducting a more robust investigation.

Of the 13 Customer Advocates that commented about the adequacy of their resourcing, seven felt they were resourced adequately or would have no problem obtaining approval for more resources if needed, and four felt they were not resourced adequately. For the rest, it was too soon to tell whether they were sufficiently resourced because, for example, the model has not been established long enough to understand the required level of resources.

### Building hope and avoiding disappointment

In addition to the above, it is critical that banks resource the Customer Advocate appropriately to help rebuild and maintain trust. For complaints escalations, the Customer Advocate is like a 'goalkeeper' for the bank; once the customer reaches the Customer Advocate, they may well have been let down numerous times by the bank, and be close to giving up. The bank then informs the customer that the Customer Advocate can review their complaint. The title alone seems enough to raise expectations. Coupled with the communications about the Customer Advocate's role, these seem likely to be interpreted as inviting the customer to see them as a source of hope. Hope that their grievance will be aired, hope that they will find their way to a fairer outcome, to restore trust in the institution and, in many cases, a last hope.

<sup>14</sup> Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Round 2 Public Hearings (24 April 2018) and Round 7 Public Hearings (28 November 2018).

With this in mind, in order to rebuild trust, and for the Customer Advocate to be regarded as trustworthy, it is crucial that banks ensure that Customer Advocates do not themselves become a source of disappointment. If a Customer Advocate is not equipped – including through adequate resourcing – to address the customer's issue in an effective, fair and timely way, those customers are at risk of even greater disappointment.

### Better practices

- Flexibility in resourcing during periods where there are dramatic increases in complaint volumes and complexity, such as were experienced in 2018 by many Customer Advocates. For example, the headcount for one Customer Advocate's team has quadrupled in the last calendar year, albeit some of these resources are on short-term contracts to address unusually high complaint numbers. Senior leaders – and often it was the CEOs – were quick to approve extra resourcing to ensure that the Customer Advocate had what they needed to ensure they achieved the right outcomes for customers.
- In conjunction with an increase in the Customer Advocate's mandate, a corresponding assessment of what additional resourcing would be needed, and staffing this appropriately.
- Some Customer Advocates used secondees from other parts of the business, in part to meet resourcing demands, but also as an opportunity to give a variety of staff exposure to the function.

### Poorer practices

In one bank, we are aware that an increase in complaints referred to the Customer Advocate was not met with a corresponding increase in resourcing. This meant that the small team had to focus on customer complaints escalations as a priority issue, and were not able to dedicate sufficient time to the higher impact work of conducting thematic reviews or engaging with External Stakeholders.

Refer to **Recommendation 1** above for our recommendation on 'Appropriate Resourcing'.

### Structure and separation from the business

The overarching principle from Section 5 (Structure and separation from the business) of the Guiding Principles is that the Customer Advocate must operate separately from the business units within the banks so they are able to act independently. We observed different interpretations of 'independence' across the banks, as well as different ways in which banks have operationalised the role to maintain separation from the business.

### Reporting lines

In general, most Customer Advocates report to a senior person without profit and loss/revenue generating or business unit responsibility to support their separation from the business and overcome any potential conflicts of interest. These roles included the CEO, Deputy CEO, CRO, Chief Human Resources Officer, General Counsel, or the Chief Operating Officer. Eight Customer Advocates report to the CEO/Deputy CEO, and nine Customer Advocates report to a senior executive.

### Internal or external appointment?

Some banks have appointed Customer Advocates from within their organisations, while others have recruited externally to fill the role.

External Stakeholders told us that, instinctively, they felt an external appointment would be more effective, since they would be able to bring a fresh perspective. Despite this, they recognised there were a number of strong Customer Advocates who had been appointed from within banks, and therefore had seen both types of appointments work.

From our review, neither approach appears to be inherently better than the other. Internal appointees – which is by far the most common across the banks – brought to the role the distinct advantage of already knowing how to navigate the organisation, and pre-existing high levels of trust from senior leaders. While external appointments did bring a fresh perspective, they are also at risk of being sidelined if they do not receive strong support and sponsorship from senior leaders, and can find it difficult to integrate into the bank's social and organisational network where they need to. In fact, strong, visible and persistent CEO and Executive support were critical to ensuring that an external appointee gained visibility and traction in the role. Also, even though External Stakeholders valued Customer Advocates who had a track record in consumer advocacy, external appointees did not appear to us to need a consumer advocacy background in order to make a difference in their roles.

A common observation from a number of stakeholders interviewed as part of this review was the importance of the perception that any Customer Advocate is genuinely committed to the purpose of the role, and not viewing the role as a career stepping stone to another position of seniority within the bank.

In fact, the three key factors – visible senior engagement and support, the Customer Advocate's skills and experience, and appropriate resourcing – appeared to us to be far more influential on the effectiveness of the Customer Advocate than whether the Customer Advocate was an internal appointment or an external one, or even if they had a consumer advocacy background.

#### **Fixed term versus employment contracts**

All banks with the exception of three have appointed Customer Advocates on a permanent basis.

It is too early in this initiative to make any clear observations about the impact of tenure or contractual arrangements on a Customer Advocate's objectivity or effectiveness.

One issue raised with us by External Stakeholders and one CEO we spoke with was about how long a Customer Advocate could be in that role before they became more of an 'insider' and thus less effective, potentially drifting towards defending the bank rather than delivering fair outcomes to customers. This may become apparent over time, but would likely be influenced by the individual's own fortitude and approach to the role. One Customer Advocate who is perceived by External Stakeholders, internal stakeholders, and our own observations, to actively and consistently challenge the bank has been employed at that bank for over 10 years.

Some Customer Advocates are on fixed term contracts as a way to support their independence. However, this did not of itself represent better practice. One of the poorer practices we identified was where the bank appointed the Customer Advocate as an independent contractor with an intended total term of three years to preserve independence. However, the bank executed this through a series of three fixed term contracts of varying duration, leaving the Customer Advocate in a state of uncertainty about their ongoing role. While the bank cited rationale for this approach, they did not appear to have considered how this could undermine the Customer Advocate's independence. While the scope of our work did not involve testing whether the Customer Advocate's independence was impacted, based on our document review and interviews, we saw no evidence that they were not acting independently.

#### **'Independent'**

Nine of the 17 banks state, via their website, the Customer Advocate is 'independent'/operates 'independently' from their business, or undertakes an 'independent' review of the complaint.

The word 'independent' has many connotations, and we are aware of concerns about the use of this term when the Customer Advocate is paid by the bank. This is likely to be more of a concern if the Customer Advocate claims to be independent, and less concerning if they state that they will act independently or conduct an independent or impartial assessment. Banks who use this term could therefore consider whether it has the potential to be misleading and, if needed, adopt alternative ways of describing the Customer Advocate's impartiality.



### **Recommendation 3**

**Use of the term 'independent' –**  
If banks or Customer Advocates use the term 'independent' in external communications about the role, they should consider whether this description is potentially confusing, and if needed, amend the description of the Customer Advocate's role.



### How can the Customer Advocate role help change culture?

We asked every Customer Advocate to tell us the achievement they were proudest of in their role. Without exception, their eyes lit up as they recounted examples of creating a better end to a story, whether it was treating just one customer with compassion, or being a driving force to changing the way the bank treated many customers. Customer Advocates and their teams are incredibly proud of the work they do.

Culture was a dominant theme arising from the Royal Commission Final Report. Commissioner Hayne highlighted that the pursuit of short-term profit ahead of customer interests, and at the expense of basic standards of honesty, was a key factor that had led to misconduct by banks and poor outcomes for customers.

The recommendations within the report direct Boards and Executive teams to focus on building robust cultures that drive purpose-led, longer-term decision making for the benefit of a wide group of stakeholders, including customers, employees and shareholders.

The industry is at a pivotal point, and driving cultural change remains one of its most strident challenges. People want to do good, and to be proud of the work they do but they find it difficult to be so when there are so many conflicting messages, and so many bad examples of failed systems, decisions and conduct. A surge of overwhelming and relentless activity and change can displace true reflection on the fundamental changes that need to be made.

The Customer Advocate role, and what it stands for, has the potential to help change organisational culture towards its 'True North'. It can refocus leadership and staff on understanding customers, and what it takes to consistently deliver fair outcomes. More than one senior executive told us that their Customer Advocate had provoked them and their Executive team to see customers, existing processes and ethical dilemmas in a different way, and had exposed important and confronting anomalies occurring deep inside the organisation.

The message of customer advocacy can be inspirational and powerful; it connects people and drives forward their deeper human need to do good and find meaning. Harnessing the desire of staff to themselves become the customer's advocate, such as through powerful story-telling and the creation of customer 'heroes' inside the organisation, is an opportunity to help drive purpose-led change, even in large organisations.

## Measuring the impact of the Customer Advocate

The Guiding Principles indicate that banks should monitor the awareness and effectiveness of the Customer Advocate to ensure continuous improvement and assess whether things are being made easier for customers. Guiding Principle 7.2 calls for banks to “design and implement internal mechanisms to measure the effectiveness of the Customer Advocate”. In 2017, Mr McPhee noted in his fifth progress report, that Customer Advocates have been grappling with this challenge for some time, including the question of whether a standardised measure could be developed, noting the differences in the way the Customer Advocate function has been implemented.<sup>15</sup> This question remains unanswered.

While a Customer Advocate should certainly be accountable for the performance of their role, and for meeting their mandate, the concept of identifying a way to ‘measure’ this is more challenging. How does one *measure* a role, the purpose of which is to influence change over a longer period of time? This may well explain why no banks have put in place a means of measuring the effectiveness of the Customer Advocate.

As noted above, and it is a view with which we agree, there is general consensus among those we interviewed that the more important part of a Customer Advocate’s role is the broader systemic change they can help to bring about. However, while there are clear cases where the Customer Advocate could be the sole or a major driver for change, in many cases the Customer Advocate’s influence would be more subtle – nudges, rather than taking a forceful or controversial stand. We heard of many instances where the Customer Advocate helped to drive a conversation about fairer product design, the integration of customer impacts in key organisational decisions, or integrating accessibility for vulnerable customers in the bank’s processes.

Many times, achievements towards fair outcomes for customers arise from the vision and work of a number of teams or individuals within the bank, of which the Customer Advocate is a part. Notably, one CEO’s view is that the way he assessed the Customer Advocate was by their *good judgement*.

One element of a Customer Advocate’s role that is more capable of clearer measurement is their review of escalated complaints. Key measures can include the number of complaints referred to the Customer Advocate, complaint review turnaround times, outcomes in favour of the customer compared to the bank, the number of complaints referred to EDR, and the EDR outcomes that went with or against the Customer Advocate’s decision. While it can be useful to understand these numbers, particularly once the roles have matured and the numbers are more meaningful, the risk is that ‘what gets measured gets managed’ will prevail, and the Customer Advocate’s role would pivot around their reviews of individual complaints. If Customer Advocates largely focused on individual complaint reviews, this would be a poor outcome for customers, and for banks. For example, there is the risk that they would focus more on fast turnarounds and less on the right outcomes and identifying systemic issues, or on volumes over giving customers sufficient time and attention. In addition, since not all Customer Advocates have the same complaints review mandate or approach, and banks record and measure complaints in vastly different ways, these figures would not be capable of comparison across the peer group.

For these reasons, we are of the view that the dilemma of measuring the impact of Customer Advocates cannot be resolved using quantitative metrics. While dealing with complaints escalated to the Customer Advocate on a timely basis and within communicated timeframes, banks need to ensure they consider other types of objectives and assessment, such as the delivery of planned customer or other initiatives, and the level of influence, trust, and access the Customer Advocate has within the organisation.



## Recommendation 4

### Assessing effectiveness –

The ABA should consider whether the reference in Guiding Principle 7.2 on designing and implementing mechanisms to measure the Customer Advocate role is appropriate given the nature of the roles, and whether the description of assessment of the roles should be re-worded. For example, it could focus on assessing the Customer Advocate’s impact in light of how the bank has set up the role, and the delivery against agreed plans such as of specific initiatives or reviews.

<sup>15</sup> Independent governance expert report: Australian banking industry: Package of initiatives Report 5 – 20 July 2017

## Conclusion: To what extent are Customer Advocates and banks meeting the Guiding Principles?

ABA members have implemented Customer Advocate roles with varying degrees of alignment with the Guiding Principles.

### Meeting the Guiding Principles

The banks are, on the whole, meeting the following Guiding Principles:

- **Purpose** (*Guiding Principles 1.1-1.5*): All roles have been designed to help make it easier for customers when things go wrong. We observed a strong commitment to this purpose from individuals that have been appointed to the roles, and the majority of stakeholders that we interviewed spoke of the value it can bring for both customers and the bank. The role has not inadvertently become a substitute for existing complaint handling.

- **Customers and businesses** (*Guiding Principles 3.1. and 3.2*): The Customer Advocate's role covers appropriate customers and businesses of the bank. No bank has sought to narrow or prevent retail and small business customers from accessing the Customer Advocate, albeit some banks do not proactively publicise the services of the Customer Advocate to all customers (for example, contact details are not included on all IDR outcome letters), and some focus just on vulnerable customers.
- **Decision-making authority** (*Guiding Principle 2.2d*): In general, the Customer Advocate roles appear to have been set up with adequate decision-making authority to perform their role.

### Inconsistencies in meeting the Guiding Principles

The varying degrees of alignment with the Guiding Principles are most evident in the following areas:

- **Access to the CEO, senior executives and/or the Board and organisational buy-in** (*Guiding Principle 2.2c*): As noted elsewhere in this Report, we observed a mix of regular access to the CEO, other members of the senior executive, and/or the Board and, for some, a lack of organisational buy-in for the role.
- **Resourcing** (*Guiding Principle 2.2b*): Some roles have been set up with adequate resources, and resources for the function have grown since the role launched. For others, the lack of resources was cited as a key obstacle in their ability to focus on proactive initiatives as part of their role, for example, an investigation into a potentially systemic issue or engaging with Consumer Groups.



### Gaps in meeting the Guiding Principles

We observed notable gaps by banks from across the three categories in meeting Section 6 (Communication – internal and external) and 7 (Reporting framework) of the Guiding Principles.

#### • Communication – internal and external

- All banks appear to have communicated internally about the appointment of the Customer Advocate when the role was initially created. However, in most banks, there was a notable gap in ongoing communications to staff regarding the existence and importance of the role, its impact and achievements, or even a refresher on the purpose of the role, or informing new staff through induction programs or mandatory training. This potentially means that staff across the organisation are unaware of the Customer Advocate, including their ability to consult with the Customer Advocate on relevant matters or refer customers to the Customer Advocate team, where applicable.
- In many IDR letters, it was not made sufficiently clear to the customer that, regardless of whether they escalated their complaint to the Customer Advocate, they would still have access to EDR such as AFCA, for a period.
- It was often difficult to find information about the Customer Advocate on bank websites.
- There was mixed awareness of the roles among External Stakeholders. In general, the larger consumer advocacy groups had access to the Customer Advocates at the larger banks, but:
  - Had limited or – more likely – no exposure to the smaller bank Customer Advocates; and
  - Smaller Consumer Groups had low awareness of the existence of the roles, and thus how they could access the Customer Advocate, or for what purpose.
- Banks need to make it clearer what the difference between IDR and the Customer Advocate is, and ensure customers understand that they can still access AFCA.

#### • Reporting framework

- The focus for most banks has been on implementation of the role over the last 18 months. For this reason, it was too early for some banks to have issued public reporting on their activities and impact to date, or conduct a formal self-assessment or external assessment on their effectiveness. Further detail on measuring the impact of Customer Advocates is provided in the section below.

Our detailed observations on the extent and manner in which the Guiding Principles have been applied can be found in **Appendix A: Analysis against the Guiding Principles and recommendations**. Our recommendations appear throughout the body of the Report, with a full list in **Appendix C: Recommendations**.

#### Feedback to Category 1 and 2 banks from this Review

- Prior to the finalisation of this Report, we met with all banks in Categories 1 and 2 in order to provide verbal feedback to them. This feedback was well received, even where we have identified areas of weak implementation. We are aware of at least two banks taking action as a result of this process, which include:
- One Customer Advocate has told us that the bank is now implementing much stronger access to the Board and senior leadership. This has already included a session with the Board, and a follow-up agenda item being placed on the Board's calendar.
  - A second bank has commenced the process of reviewing their Customer Advocate role to address weaknesses that we have discussed with them.

#### Further Post-implementation Review

Given the timing of this review, and their maturity and evolution, it is worthwhile assessing how they have progressed once the roles have had more time to mature.



## Recommendation 5

### Further review –

A post-implementation review should be conducted in around 18-24 months. Some matters that could be considered include:

- How, and whether it is feasible, to obtain customer perspectives on awareness of the Customer Advocate, and the experience and outcomes of customers who deal with them.
- Conducting a review of individual complaint files to test that Customer Advocates are performing a sufficiently detailed review of escalated complaints, are approaching their review through a lens of fairness, and are conducting the review in such a way that they are surfacing potential systemic issues.
- Testing the effectiveness of the feedback loop from the Customer Advocate function to the business, such as whether recommendations made by Customer Advocates have been implemented.
- Whether issues or some poorer practices raised in this Report have been effectively addressed.
- How the Customer Advocate roles continue to mature and evolve, and have a positive impact for customers.

# 5 What do External Stakeholders think?

## The importance of Consumer Groups

Consumer Groups (including community legal centres), and organisations such as AFCA and ASIC, are critical stakeholders for the financial services industry. Collectively, they perform a number of essential roles in holding organisations to account, including:

- Representing people who are unable to effectively look after their own interests, or afford assistance.
- Advocating for change in policy, behaviours, and supervision and enforcement by regulators.
- Raising awareness of the impact of large organisations or Government on the most vulnerable.
- Supervising and enforcing the law.
- Resolving customer complaints.

Not surprisingly, many of the more prominent Consumer Groups have had a heightened profile in light of the prominence of conduct issues in financial services, and in particular the Royal Commission. Banks and other financial services organisations, as well as peak industry bodies, have ramped up their engagement with these groups in order to more directly understand and take action on the issues occurring for people in the community.

While these organisations provide a critical and valuable service, there is continuing concern that they remain underfunded compared to the job at hand. The effect of this is important: while the increased engagement with these stakeholders by industry is critical and facilitates the amplification and reach of their message, it places a corresponding strain on organisations with modest resources and urgent needs.

## How we engaged External Stakeholders

We conducted interviews with 10 organisations outside of the banks, including Consumer Groups, AFCA and ASIC. In this Report, we refer to these organisations simply as **External Stakeholders**. The organisations, and the individuals we interviewed, appear in **Appendix B: Scope and approach to conducting this review**. We sought the views of these External Stakeholders for a number of reasons:

- To understand their views of this initiative by the ABA, including any concerns they have.
- To understand their experience with Customer Advocates and their teams, and in particular how effective they have been at helping customers and engaging with the community.
- To access their views as an important proxy for understanding the customer viewpoint and experience, since many of them deal with customers on a daily basis, and engage the Customer Advocate on their behalf. This was particularly important since we were only able to interview five customers directly.

## What do External Stakeholders think?

The External Stakeholders we spoke to felt that the implementation of Customer Advocate roles is a positive development and, based on their experience to date, one that is good for customers. They recognised the value in having someone in each organisation who is focused on customer outcomes.

While they are hopeful that these roles will continue to improve and increase in impact, they also recognised that they are mostly still in their infancy, so it is still too early to give an accurate assessment.

This is encouraging, since many of the External Stakeholders were sceptical about the roles at first:

- Some were concerned that the Customer Advocate would simply be another layer of complaint handling, exacerbating the fatigue of customers.
- Some were concerned at the appointment of an existing staff member into the Customer Advocate role, rather than someone from outside who could bring a pair of fresh eyes. Longer service with the bank, they felt, would incline the Customer Advocate to 'take the bank's side'.

In both of the above cases, External Stakeholders felt that their initial concerns had not materialised in any significant way. For example, they had very positive experiences with Customer Advocates who had been employees of the bank prior to their appointment into that role.



We initially thought the Customer Advocate is merely another step in the process to exhaust people, but there has been no evidence of that

- External Stakeholder



One has been a long time employee but is still quite effective. They have an internal network and know how the organisation works

- External Stakeholder



### What is most valued?

External Stakeholders sent a very clear message: while they valued the ability to contact a Customer Advocate to resolve individual customer complaints, they believed the greatest value of the role is in how they can influence improvement on a larger scale within the bank. This includes influencing systemic issues, customer remediation programs, and improving processes and products, and in particular the IDR outcomes for customers.

However, they expressed some caution:

- They recognised that Customer Advocates often have to push for change within the bank, and this may take some time, and largely happen behind closed doors. However, while they recognised full transparency was unlikely, they want to see for themselves how the roles are making a difference for customers, and what changes are actually being made.
- They do not want the Customer Advocate role to be for show – they expect banks will set them up properly, and that they will have real impact.



What the Customer Advocate is doing is very important, and someone in the organisation needs to be doing it

– External Stakeholder

## More specific feedback

Now that they have experienced the roles, the External Stakeholders' views are as follows:

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### External Stakeholders identified that Customer Advocates had definitely made a number of improvements...

#### It is much clearer who they can contact now

The Customer Advocate represents a single obvious point of contact for many External Stakeholders, which they felt is simpler and more effective than trying to maintain multiple relationships within the banks for the escalation of customer issues.

Stakeholders felt that this has worked successfully both ways, with some Customer Advocates referring individual customers experiencing difficult issues to Consumer Groups to ensure they received proper support and representation, or better access to support services. Often, these problems went beyond what the bank was able to assist with or resolve, such as issues arising from mental health, gambling, or abuse.

### ...but acknowledged that there is work still to be done

#### But access and awareness can be improved

Only the larger, more prominent Consumer Groups were aware of Customer Advocates, and it appears that smaller groups and individuals providing community support, such as financial counsellors, are largely unaware of Customer Advocates – the roles, their purpose, and when they could be accessed.



I have no idea when to use them. I don't think Customer Advocates do anywhere near enough outreach

– External Stakeholder

The groups we spoke to had little or no engagement with the Customer Advocates from some Category 2 and most Category 3 banks, meaning that important insights and access to grassroots issues may be accessible primarily to the largest banks.

Information about the Customer Advocates was often not easy to locate on bank websites, or on the ABA website. Since individual complaints are a key driver for External Stakeholders to contact the Customer Advocate, there could be the opportunity for the banks to adopt a common approach to this aspect of their roles, which could simplify, increase transparency, and reduce confusion about when a Customer Advocate could help individual customers.

Refer to **Recommendation 6** detailed in the 'Recommendations' section below.

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### The Customer Advocates are tackling unfair outcomes, and not just legal rights

External Stakeholders often advise individuals who may be experiencing unfair outcomes from their dealings with the bank, but who do not have a clear course of legal redress.

External Stakeholders said that the Customer Advocates they deal with are able to apply a 'fairness' test to customer problems, which they valued, since otherwise such issues may have no natural 'home' within the banks.

### But Customer Advocates' teams could be more consistent

While the Customer Advocate themselves were very responsive, there was sometimes mixed experience with their teams, who may not follow up as quickly as expected or did not see the 'big picture' instead finding themselves stalled in the detail of a complaint.

External Stakeholders also wanted the teams to proactively identify underlying systemic issues arising from individual complaints, and not focus solely on the resolution of the specific complaint itself. There was also some frustration when they raised a perceived systemic issue that they saw across multiple clients: on giving feedback to the banks, they appear to need specific customer examples in order to enable action to be taken.

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**External Stakeholders identified that Customer Advocates had definitely made a number of improvements...**

**External Stakeholders were very encouraged by many Customer Advocate roles that include identifying and improving systemic issues**

As noted above, External Stakeholders felt this was the most valuable element of a Customer Advocate's mandate, and wanted them to conduct regular self-initiated reviews or thematic reviews, such as to identify issues arising from complaints, or from customer data.

**...but acknowledged that there is work still to be done**

**But there needs to be greater visibility, and not all Customer Advocates had this responsibility**

External Stakeholders were aware that not all Customer Advocates have a mandate to identify and pursue systemic issues.

While they recognised that Customer Advocates appeared to be actively pursuing systemic change in many instances, this was often opaque, resulting in low visibility of what is actually changing inside the bank.

While these stakeholders accept the Customer Advocate's influence will take time, and that they are not likely to receive full transparency about every change, communicating on changes and improvements, and barriers to changes that may take time, are key to maintaining trust in this ongoing dialogue.

External Stakeholders also wanted to see the Customer Advocate demonstrably advocating for customers. One External Stakeholder expressed frustration that, at a meeting they attended with a number of bank staff from different parts of the bank, including the Customer Advocate, the Customer Advocate did not actively pursue customer issues in that meeting. They did, however, acknowledge that the Customer Advocate may have been playing this role in the background i.e. before or after the meeting itself.

Banks should therefore consider how to ensure they have an effective feedback loop with External Stakeholders in order to demonstrate the changes they are making, particularly where the issue has been raised with the bank by those stakeholders.

Refer to **Recommendation 7** in the 'Recommendations' section below.

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**External Stakeholders identified that Customer Advocates had definitely made a number of improvements...**
**There is valuable and proactive engagement by larger banks with External Stakeholders**

One of the critical elements of the Guiding Principles is that Customer Advocates need to ensure they access the voice of the customer, and the views of External Stakeholders is an important element of this.

For this reason, a number of advocates – which tend to be from the larger banks or financial services groups – actively engage with these External Stakeholders, and seek their views. This can be in broader forums or roundtable discussions, on a one on one basis, or both. This enables the individual banks to get feedback directly about problems their own customers are experiencing, and also to understand broader trends and emerging issues in the community, such as for groups of vulnerable people.

External Stakeholders value these sessions, and felt the exchange of information and interaction is very positive.

**...but acknowledged that there is work still to be done**
**But the conversation needs to be two-way, and smaller banks and External Stakeholders should be included**

External Stakeholders want these meetings to be more than just for show – they desire real change and want to engage in a two-way dialogue.

- For example, one External Stakeholder was frustrated that a forum run by one bank seemed to be more of a one-way conversation where the bank told the group what it is doing, and less about listening to concerns.

These engagements, while very valuable, can place strain on the limited resourcing of not-for profit Consumer Groups. Some of the community engagements with individual organisations can be for one to two days at a time, which can quickly accumulate.

As noted above, smaller banks and smaller Consumer Groups seemed to have little or no access to these forums, and thus miss out on the insights and dialogue.

We note that the ABA hosts a Customer Forum attended by seven member banks and Consumer Groups. The purpose of the forum is to discuss issues facing customers and how to resolve these. The ABA also hosts forums to discuss how banks can better support people with disabilities and tackle elder abuse. Despite these efforts, it appears from the feedback received that there is an opportunity to do more.

Refer to **Recommendation 6** in the 'Recommendations' section below.

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**External Stakeholders identified that Customer Advocates had definitely made a number of improvements...**

**Customer Advocates are good at securing fair outcomes for individual customer complaints**

External Stakeholders value being able to refer individual customer issues to the Customer Advocate, and achieved good outcomes for customers when they did.

There were some powerful customer stories that the External Stakeholders told us:

- Banks often sell customer debts to collection agencies, who then pursue customers for payment. In these cases, these small debts can accumulate relatively large interest amounts, resulting in consequently much larger debts being pursued by the agency. One Consumer Group brought a Customer Advocate's attention to cases where customers on welfare were being pursued by these agencies. In one case of an original \$5,000 loan, the customer was at risk of losing her home. The Customer Advocate intervened in this situation – and a number of similar situations – to arrange for the bank to repurchase the customer debt and ensure that the customer did not lose their home. This also drove changes within the bank, which has now adopted a policy to ensure that it does not sell debts of customers who are in receipt of Centrelink payments.
- The External Stakeholder identified that an unfair aspect of a bank's policy led to poor customer outcomes. While they were unable to reach a better result for the individual customer, the Customer Advocate was able to change the organisation's policy.
- One Consumer Group was concerned that a farmer was asked by the bank to enter into a 30-page remediation agreement on their debt. The Customer Advocate became involved, and the documentation was reduced to two pages.

Refer to **Appendix A: '3. How are Customer Advocates helping vulnerable customers?'** for further examples.

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**...but acknowledged that there is work still to be done**

**But their role could be confusing, and internal awareness appears to be patchy**

Banks need to make it clearer what the difference between IDR and the Customer Advocate is, and ensure customers understand that they can still access AFCA.

Some letters from the Customer Advocate's office reference 'lawyer' as the role title of the team member responding to the customer, which can make customers uneasy – banks should consider the impression this correspondence gives overall, including changing the title of staff, at least when corresponding with customers.

While it was still early days in seeing improvements to complaints handling, interviewees cited some ongoing concerns about the Customer Advocate's role. In particular, at some smaller banks, there was no operational separation between the Customer Advocate and the IDR/EDR function. We discuss potential issues arising from the Customer Advocate's oversight of IDR/EDR functions in **Appendix A: '1.4 Structure and separation from the business'**.

Refer to **Recommendation 8, 9 and 10** in the 'Recommendations' section below.

## Some feedback on complaints handling

In our conversations, due to the closeness of IDR effectiveness to discussions about the Customer Advocate function, External Stakeholders had some important feedback on complaints handling. In short, they felt that all banks they dealt with still need to improve the capability and effectiveness of their complaints handling. We are aware that many banks are actively working on improving this area, enhancing reporting on complaints to senior leaders and Boards, and changing the culture within the bank when it comes to complaints.

Their observations were that:

- IDR processes need to deliver fairer, more consistent outcomes – more than one stakeholder commented that a customer should not receive a better outcome because they have a lawyer or financial counsellor supporting them, and they should not have to reach the Customer Advocate before they receive this.
- Banks need to focus on achieving fairer outcomes in the first place, rather than the Customer Advocate needing to step in. Part of the need is in avoiding 'complaints fatigue' where many customers would simply drop out of the internal complaints process before they reach a satisfactory resolution and therefore never know the Customer Advocate was an option for them.

- IDR processes often had frustrating arrangements for when third parties such as community legal centres acted for customers. Even when a customer is on a 3-way call with the legal centre and the bank, bank complaints staff seemed unable to understand how to deal with the lawyer even though the customer gave clear consent for the bank to do so.
- External Stakeholders felt there could be greater awareness inside many banks about the Customer Advocate, including ensuring the IDR team involves the Customer Advocate earlier in difficult cases. They felt that this could avoid the escalation of issues beyond the IDR resolution, leading to a faster, less stressful outcome for the customer.

We note that IDR is out of scope for this review, and accordingly while we provide the above feedback, it would not be appropriate for us to make any recommendation regarding complaints handling outside of the Customer Advocate's complaints review role. For examples of how Customer Advocates have influenced IDR refer to **Appendix A: '2.1 Complaints'**.



Something is wrong with the system if you need perseverance to get a better outcome. It shouldn't have to go to the Customer Advocate to get the best outcome for the customer

– External Stakeholder

## Recommendations



### Recommendation 6

#### Communication – external awareness of the role and community engagement –

The ABA should, in consultation with banks, Customer Advocates and a selection of External Stakeholders, consider how:

1. To raise awareness across Consumer Groups about the existence and roles of Customer Advocates, with a particular focus on ensuring that smaller organisations or financial counsellors are aware of how and when to access the Customer Advocates to assist their clients. Awareness-raising could include, for example:
  - Updating the register on the ABA website so it contains Customer Advocates' mandates, contact details, and when they can be contacted by External Stakeholders.
  - A specific and regular communication directed to Consumer Groups about Customer Advocates. This should cover their roles, their work, and where they can find more information to support bank customers.
2. Customer Advocates from all banks and a broader range of Consumer Groups can interact in a more structured and efficient way. The objectives of interactions could include, for example:
  - To collectively share insights such as on emerging issues for customers.
  - To potentially work together on joint initiatives for vulnerable customers.

Banks will need to consider the impact on resourcing that could arise from this recommendation.



### Recommendation 7

#### Reporting – Externally –

All banks/Customer Advocates should:

1. Consider how Customer Advocates can more effectively provide information and transparency to External Stakeholders that they are engaging with on changes that they are influencing in the bank, including changes arising from proactive consultation with those External Stakeholders, as well as broader improvements in customer outcomes being made by the bank, in order to build and maintain trust.
2. Report externally at least annually on the activities and outcomes of the Customer Advocate. Reporting might include:
  - Details of initiatives in progress, pilots, and other activities underway or completed that provide an insight into how the Customer Advocate is helping drive better customer outcomes.
  - Information about the complaints reviewed by the Customer Advocate, and related outcomes.
  - Case studies or stories of how Customer Advocates have helped to deliver fair outcomes for customers.



### Recommendation 8

#### Communication – IDR outcome letters and other correspondence –

Banks should review current communications provided to customers about how to escalate their complaint to the Customer Advocate to check:

- Whether it is clear to customers that they have the right to access both the Customer Advocate and EDR, and they retain the right to access EDR while the Customer Advocate considers their issue. Banks could consider the use of a simple decision diagram to make it easier for customers to understand their options.
- Whether the communications clearly explain the role of the Customer Advocate, what support the customer can expect from them, and how and when to contact them.
- How their correspondence with customers could be perceived by customers, including the use of role titles of staff who correspond with customers to ensure that these are not potentially confusing or threatening for customers (such as using the role title 'lawyer').

This review should include communication on the escalation process provided at the end of the IDR process (for example IDR outcome template letters, or email templates), and also bank websites.



### Recommendation 9

#### Communication – internal awareness of the role –

Banks should consider developing an ongoing communications plan, refreshed on a regular basis, to promote internal awareness of the purpose of the Customer Advocate role, and make staff aware of how the Customer Advocate is making a difference for customers. This could be brought to life within the bank through case studies and story-telling. Consideration could be given to how the Customer Advocate can be part of, or contribute to, the internal narrative about culture, customer-centricity, and achieving fair customer outcomes.



### Recommendation 10

#### Alignment of complaints escalation roles –

With respect to the complaints escalation element of Customer Advocates' roles, the ABA and the banks should consider whether customer and External Stakeholder understanding of, and access to, Customer Advocates could be enhanced through adopting common mandates, messages or escalation processes. Banks that choose not to adopt a common approach could disclose their approach on an 'if not, why not' basis to such stakeholders.

## 6 What do Customers think?

We spoke to five individual customers, involving four different complaints, who had dealt with Customer Advocates from three different banks. Two of these customers spoke to us about the same complaint.<sup>16</sup> It should be recognised that, due to this small number, and the way in which they were identified, this feedback has only anecdotal value. However, we found speaking with even this small group of customers provided valuable perspectives:

- Each customer we spoke with had:
  - Their complaint considered by the bank’s IDR process, and was dissatisfied with their outcome; and
  - Referred their matter to the Customer Advocate, and then dealt directly with the Customer Advocate, or a member of their team.
- The customer obtained an outcome they were satisfied with in three out of the four complaints. In the fourth case, the customer has referred their matter to AFCA, but were nonetheless impressed with how the Customer Advocate had dealt with their complaint.
- In two of the four complaints, the customers indicated that they had identified the Customer Advocate themselves through research on the bank’s website, or demanding a further review, rather than being offered a review at the end of the IDR process.
- The customers felt that their dealings with the Customer Advocate was positive. They identified different reasons for this, including:
  - In all cases, they found the Customer Advocate was easy to deal with, provided excellent and more personal service, and the customer felt they genuinely listened to their concerns. Customers placed a high degree of value on the ability to call their contact within the Customer Advocate’s office and be able to reach them directly.
  - One customer indicated the Customer Advocate had prepared by researching their complaint in advance of their first conversation.
  - In all cases, the Customer Advocate’s team was more transparent with the customers about what had gone wrong. By contrast, customers were frustrated by the fact that the complaints and other teams at the banks did not provide the same level of insight or acknowledgement.
- All of the customers we spoke to were concerned the bank’s internal complaints process was so frustrating that they needed to escalate the issue to the Customer Advocate; they felt banks should prioritise getting complaints right in the first place. Four of the customers specifically commented that they had to be resilient and determined to reach the Customer Advocate, and that most people would have likely given up sooner. One customer commented that the process of reaching the Customer Advocate had been ‘traumatic’.
- All customers wanted acknowledgement of the issues by the bank in a way that went beyond their own complaint. They wanted to know that the root cause of their complaint was being addressed, and that systems or processes within the bank were being changed to prevent similar problems for other customers.
- Although an initial complaint by a customer may relate to a service or product issue at the bank, the nature of their complaint can change. In particular, if customers experience frustration with the internal complaints function, that frustration can then become enmeshed with their complaint, or in fact become the primary driver of their complaint. In relation to two of the complaints, the customers were frustrated that their true concern was not understood by the IDR team. In one case, they felt the Customer Advocate had not sufficiently acknowledged it either.

Customers are at the heart of the Customer Advocate’s role; for this reason the ABA should consider the feasibility of better understanding customer perspectives and outcomes arising from the work of the Customer Advocate in a future review (Refer to **Recommendation 5**). We have noted some challenges of conducting such a review in **Appendix B: Scope and approach to conducting this review – ‘Interviews with External Stakeholders and Customers’**, which need to be considered in designing an approach for this task.

<sup>16</sup> Please refer to **Appendix B: Scope and approach to conducting this review** for background and context for our discussions with customers.

# Limitations of our work

## General use restriction

This Report has been prepared for the ABA and for the purpose set out in the Engagement Letter between Deloitte and the ABA dated 16 October 2018. The Report is not intended to, and should not, be used or relied upon by anyone else. To the maximum extent permitted by law, we accept no duty, responsibility, or liability to any party, other than the ABA, in connection with the Report. The recommendations in this Report are provided as general information only. All decisions in connection with the implementation of such advice and recommendations shall be the responsibility of the ABA and/or the banks as appropriate. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

## Limitations

Our assessment is based on the documents provided to us, and the information provided during the interviews conducted as part of our approach.

Our work does not constitute a reasonable assurance (audit) or limited assurance (review) engagement in accordance with the Auditing and Assurance Standards Board (AUASB) standards and, consequently, no assurance is provided in accordance with the Auditing and Assurance Standards. The scope of our work does not extend to obligations not specifically detailed in the Engagement Letter and the work described herein, and any interpretation of law. No legal opinions are provided or can be assumed.

Deloitte assumes that any information provided by the ABA, and the banks, External Stakeholders and customers that participated in this PIR, in relation to enquiries for this Report are true, complete and not misleading, and confirms that if the information is untrue, incorrect or misleading then the Report may be incorrect or inappropriate for its purpose. The decision-making responsibility in response to the findings of this Report resides solely with the ABA or the banks.

We believe the statements made in this Report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by the ABA or others. We have not attempted to verify these sources independently unless otherwise noted within the Report.

# Appendix A: Analysis against the Guiding Principles and recommendations

In this section of the Report, we consider the extent and manner in which banks have applied the Guiding Principles. There are 32 Guiding Principles in total, which:

- Have some overlap; and
- Contain a mix of what appear to be minimum requirements (i.e. “The Customer Advocate should”), and some that are optional (i.e. “Responsibilities could include...”).

For this reason, rather than provide observations for all 32 Guiding Principles individually, we have instead grouped key Guiding Principles to answer three primary questions:

**1. Have banks set up the Customer Advocate to succeed?**

**2. What impact are the Customer Advocates having in the banks, and for customers?**

**3. How are the Customer Advocates helping vulnerable customers?** (The ABA asked us to consider this specifically.)

In **Section 3: Key observations on implementation**, we outlined what we consider are the most significant factors in the implementation of the Customer Advocate roles, the better and poorer practices that emerged from our review, and a summary of our recommendations to improve the implementation and embedding of the role. In this appendix we have provided additional observations, further examples of better and poorer practices, and additional recommendations in relation to implementation. To avoid repetition, where our observations have been captured in **Section 3: Key observation on implementation** to **Section 4: What do External Stakeholders think?** we have generally not repeated them here.

We also provide stories that illustrate the impact that Customer Advocates have had on the banks and individual customers and particularly for vulnerable customers.

## 1. Have banks set up the Customer Advocate to succeed?

This set of principles consider the important issue of how banks have set up and continue to support their Customer Advocates. Without strong organisational set-up and belief, and ongoing buy-in from senior leaders, it will be difficult, if not impossible, for Customer Advocates to succeed in making meaningful impact for customers.

### 1.1. Purpose

*The purpose of a Customer Advocate is to make it easier for customers when things go wrong by helping to facilitate fair complaint outcomes and minimise the likelihood of future problems.*

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#### ABA Guiding Principle

- |     |                                                                                                                                                                                                                                                                                                                                                                             |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.1 | <i>The Customer Advocate’s purpose should be clearly defined and consistent with making it easier for customers when things go wrong.</i>                                                                                                                                                                                                                                   |
| 1.2 | <i>Banks may design the role differently, considering their specific needs, current arrangements and aspirations, as well as customer and community expectations.</i>                                                                                                                                                                                                       |
| 1.3 | <i>As there is no ‘one size fits all’ solution for designing and introducing a Customer Advocate, with banks having varying scale and complexity of their businesses and different customer needs, a Customer Advocate could be an individual, or a function or office, or the head of a function or office with the delegated responsibilities shared across the team.</i> |
| 1.4 | <i>Banks should detail how the Customer Advocate will help to achieve the stated purpose for their retail and small business customers and other stakeholders.</i>                                                                                                                                                                                                          |
| 1.5 | <i>The Customer Advocate is not a substitute for existing complaint handling or dispute resolution processes or functions, however, will serve to enhance the customer’s experience.</i>                                                                                                                                                                                    |
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## Observations

### • General

The stated purpose for all Customer Advocates is, at a high level, consistent with making it easier for customers when things go wrong. Based on our document review and interviews, we did not observe any evidence to indicate that the role has become a substitute for existing complaint handling or dispute resolution processes or functions.

### • Documentation

A clearly defined and documented purpose and mandate approved by senior executives helps to support a shared understanding of the powers of the Customer Advocate across the business. All banks with the exception of two Category 3 banks have documented the purpose of the Customer Advocate and their roles and responsibilities in a charter, terms of reference or job description document. The two Category 3 banks that had no formal documentation on the purpose of the Customer Advocate role were in the process of drafting a document at the time of our review. The level of detail within these documents varies, with practices we observed as follows:

#### ***Better practices:***

- There is a detailed charter that sets out key aspects of the role of the Customer Advocate. This would include the roles and responsibilities, how independence and objectivity of the Customer Advocate is maintained, the relationships and interdependencies with key stakeholders/functions, how the Customer Advocate's performance will be assessed, reporting and frequency of reporting by the Customer Advocate, and the decision-making authority that the Customer Advocate has.
- Formal periodic reviews of the charter to monitor whether updates are required.
- Formal approval of the document by senior executives.

#### ***Poorer practices:***

- A common gap in documentation included a lack of, or weak, explanation of the decision-making authority of the Customer Advocate, the levels of delegated authority that the Customer Advocate has, and where this exists, structures or processes that support the independence of the role from the business and issue escalation processes.

### • Role Design

Refer to observations in **Section 3: Key observations on implementation – Role Design**. Additional observations are provided below: Banks we spoke with had generally considered their particular operating model when designing the Customer Advocate role.

#### ***Better practices:***

- Approval of the Customer Advocate's authority by the CEO and Executive team, ensuring awareness of the mandate and authority for the role.
- Ensuring that the role was complementary to related roles. This consideration of design, and how the roles would interact with other functions, seems to have led to greater co-operation between the Customer Advocate and other functions that are responsible for related areas such as systemic issues or community engagement, as the 'fit' of the Customer Advocate with the existing or related functions had already been considered.
- Active consideration of the culture of the organisation when designing the role's operation and authority. One organisation gave the Customer Advocate a high level of authority to bind the bank on complaints decisions by the Customer Advocate with the purpose of cutting through what was perceived to be a highly collaborative culture that could have required the Customer Advocate to obtain multiple approvals.

#### ***Poorer practices:***

- Some duplication of Customer Advocate functions through the appointment of a second role that covered some of the mandate we often see addressed by Customer Advocates. The two individuals in the roles have had to establish an operating rhythm between themselves, but the relationship between the two roles and the opportunity to align or join them does not appear to have been considered. While this can be made to work, it has led to some confusion for External Stakeholders in particular, and also there are likely to be opportunities for greater customer impact if the roles were to 'join forces' and consider a more ambitious agenda.



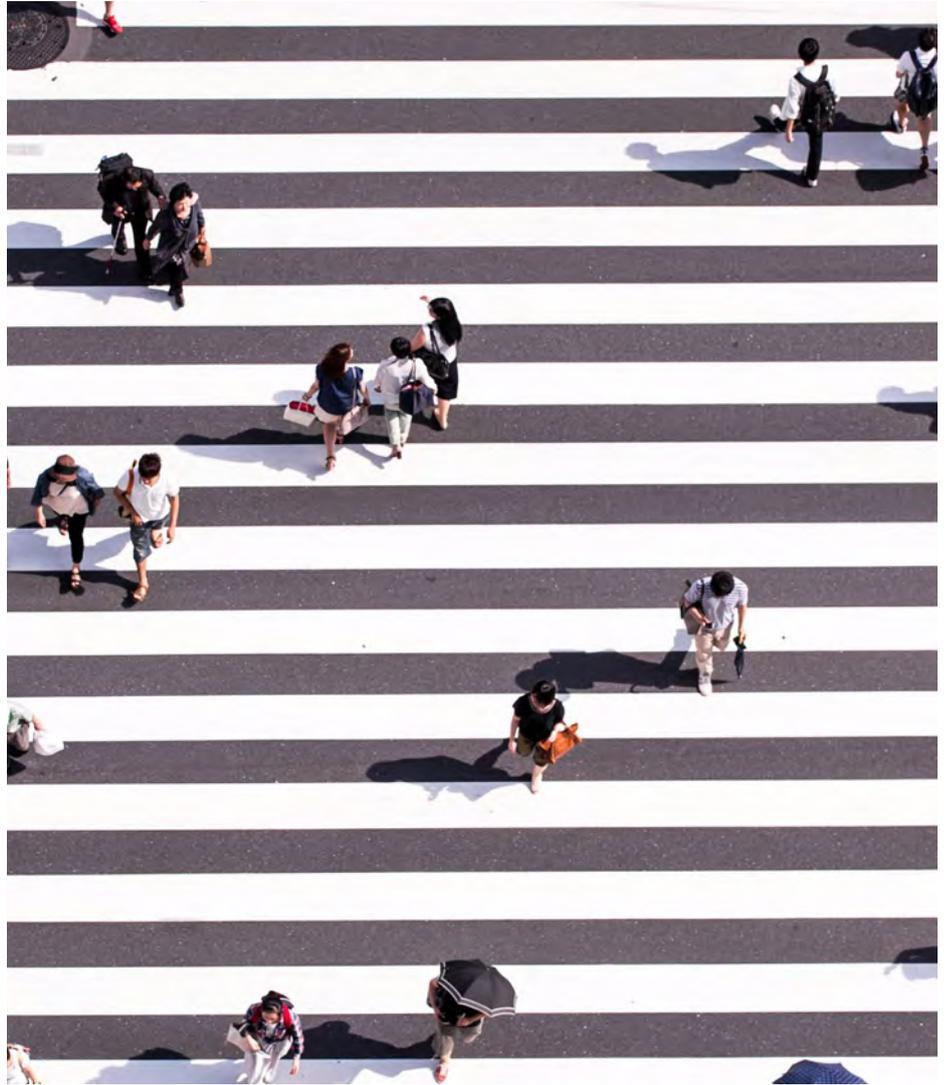
## Recommendation 11

### Documenting the Customer Advocate's purpose, roles and responsibilities

– Banks that have not yet done so should document the purpose, roles, and responsibilities of the Customer Advocate such as in a terms of reference, charter or equivalent document. This could include:

- The purpose of the Customer Advocate role, including which customers are in scope to access the Customer Advocate.
- The mandate of the role (and what is out of scope).
- Decision-making authority including levels of delegated authority (if applicable).
- Structure and reporting lines.
- Reporting from the Customer Advocate within the organisation, such as to the CEO, senior executives and the Board.
- How the Customer Advocate will carry out the role.
- Other relevant information that enables the Customer Advocate to execute their role. For example, structures or processes that support the independence of the role from the business.

The document should ideally be approved by relevant senior executives and, as the role evolves, should be updated to reflect changes.



A formal document that clearly sets out the purpose of the Customer Advocate, and how the Customer Advocate will help to achieve the stated purpose, both supports a shared understanding of the role across the bank and provides a basis on which to consider whether the Customer Advocate has met their mandate.

Refer to our recommendations in **Appendix A: '1.5 Communication – internal and external'** for additional recommendations that relate to explaining how the Customer Advocate will help achieve the stated purpose for customers.

## 1.2. Roles and responsibilities

*The Customer Advocate's core objective is to enhance existing complaints processes and ensure customer complaints are escalated, and responded to within specified timeframes and that responses are thorough and fair.*

*The Customer Advocate may also influence systems, processes, and decision-making. The accountabilities for the Customer Advocate should be included in the description of the role, function and responsibilities.*

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### ABA Guiding Principle

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- 2.1** *Banks should establish avenues to ensure the Customer Advocate can regularly and meaningfully access customer perspectives in order to be effective in their role. There must be a mechanism for the Customer Advocate to have direct contact with customers. The types of customers and the forms of contact may vary across banks*
- 

## Observations

### • Direct contact with customers

All banks have set up the Customer Advocate role in such a way that they have direct contact with customers. For most, this involves interaction in relation to escalated complaints, where the Customer Advocate or their team will communicate directly with customers by phone, email or post. Some Customer Advocates from across all categories of banks meet with customers face-to-face to discuss complaints.

Customer Advocates considered direct contact by phone or in person with customers held particular value, both for the bank and for the customer. In the case of longstanding and difficult complaints, for example, where the relationship between the bank and the customer has broken down, at least two Customer Advocates told us that they found personal contact allowed them to 're-set' the conversation, which paved the way towards resolution. Where a customer had a particularly complex and challenging complaint, more than one Customer Advocate would visit the customer in person, often travelling interstate to do so. Customer Advocates explained that customers they met in-person felt like their voice had been heard and their complaint was finally being taken seriously. In addition, Customer Advocates felt that giving the customer the opportunity to speak with someone who did not 'represent', but who had influence on, the bank gave them the opportunity to finally resolve many long-term difficult complaints.

In addition to the above, one large bank's Customer Advocate, was able to use the personal contact to identify a pattern about customer behaviours with longstanding complaints that the bank found particularly valuable in understanding why some complaints became impossible to resolve. In short, the longer the complaints wore on, the more customers came to believe that they must be right.



When we speak to customers they sometimes remark that it is the first time they feel like someone's been pleasant to them

- Customer Advocate

### • Accessing customer perspectives

Customer Advocates access customer perspectives in a number of ways. The most common and easily available avenue for accessing customer perspectives is through complaints data and root cause analysis.

Some larger bank Customer Advocates have established more formal channels to understand customer issues, including:

- Making regular visits to regional areas to meet with customers, customer representatives and local branch staff to hear about local issues and challenges faced by customers in regional and remote communities.
- Establishing 'community councils' or advisory groups as a way to engage with key Consumer Groups on a regular basis to gather and share insights relating to current issues impacting customers, and for the Customer Advocate to share their work.
- A member of the Customer Advocate team from one bank is on the Board of an organisation focused on improving the inclusion of people with disability in all aspects of business.
- Some banks have appointed experienced consumer advocates into their Customer Advocates or similar roles, who continue to have their network.
- Attendance at forums that focus on vulnerable customers and consumer advocacy issues, such as the Financial Counselling Australia conference.

Smaller bank Customer Advocates tended not to have such access or opportunities. For two of these Customer Advocates, the primary mechanism to access customer viewpoints was through the use of social media and customer experience surveys. While these can be a useful source of feedback to improve customer experience, it may be less effective in identifying poor outcomes for customers such as mis-selling or emerging customer problems than hearing from consumer advocacy and consumer legal centres about what they were seeing across many customers.

Not surprisingly, Consumer Groups we spoke to cited little exposure to Category 2 banks, and much less exposure to Category 3 banks than they did to large banks. In part, this can be explained through the much smaller customer numbers, and therefore issues, these banks have. However, the large banks, due to their size, have the means and also the motivation of their scale to engage consumer groups in active conversation about emerging issues. This means that smaller bank Customer Advocates will have less access to insights about customer issues, including emerging issues, or those that impact customers of all types of banks.

Further detail on Customer Advocates and vulnerable customers is provided in **Appendix A: '3. How are Customer Advocates helping vulnerable customers?'**



## Recommendation 12

### Communication with customers –

If the Customer Advocate's communication with customers is currently limited to or is predominantly conducted in writing, Customer Advocates should consider what opportunities exist to speak to customers over the phone or face-to-face, in appropriate circumstances.

Refer to our recommendations in **Appendix A: '1.5 Communication – internal and external'** for additional recommendations that relate to accessing customer perspectives.

### ABA Guiding Principle

**2.2 b)** *The Customer Advocate should: Be effectively resourced to ensure it can carry out its role, function, and responsibilities*

### Observations

Refer to observations in **Section 3: Key observations on implementation – 'Appropriate resourcing'**. No additional observations.

### Recommendations

Refer to recommendation in **Section 3: Key observations on implementation – 'Appropriate resourcing'**. No additional recommendations.

### ABA Guiding Principle

**2.2 c)** *The Customer Advocate should: Have regular access to the CEO, other members of the senior executive, and/or the Board. This could be achieved by reporting lines or unfettered access, executive sponsorship for the role, access to key business decision makers, regular scheduled meetings or reports, or a combination.*

### Observations

Refer to observations in **Section 3: Key observations on implementation – 'Visible senior engagement and support'**. No additional observations.

### Recommendations

Refer to recommendation in **Section 3: Key observations on implementation – 'Visible senior engagement and support'**. No additional recommendations.

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## ABA Guiding Principle

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- 2.2 d)** *The Customer Advocate should: Have decision-making authority commensurate with the span of their role, function and responsibilities, to support timely and meaningful customer outcomes.*
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### Observations

#### • Decision-making authority

The types of decision-making authority that Customer Advocates have varies from having no or only a small amount of delegated authority, to much larger delegated authority limits for the resolution of identified customer issues. In general, Customer Advocates from across the categories of banks were satisfied with their level of delegated authority and believed it was adequate to fulfil their role. However, some did caveat this and noted that they have not yet been faced with a matter that tested the full breadth of their delegated authority. Some also noted that the bank had not formally agreed on the decision-making authority that the Customer Advocate has in relation to resolving individual complaints.

Some approaches to Customer Advocate delegations of authority include:

- Some Customer Advocates have powers to make binding decisions on complaints escalated to the Customer Advocate, while others can make recommendations only.
- For binding decisions, the Customer Advocate may be able to authorise, require or make payments up to a set limit.
- The types of payment that Customer Advocates can make to or on behalf of customers can include goodwill, ex-gratia and emergency assistance payments.
- Where the Customer Advocate has authority to bind the bank, there may be a requirement or protocol that they communicate to the relevant member/s of senior management to ensure they are aware of the decision, and the reasons for it.

As tempting as it seems to demand that Customer Advocates have the ability to override the business and bind the bank to a decision, better or poorer practice in this area did not seem to us to be dependent on whether the Customer Advocate has delegated authority or not. This view is supported by a number of observations:

- The right approach to the Customer Advocate's delegation is going to depend on the organisation itself. As noted above,<sup>17</sup> one organisation established a large delegation specifically because they wanted to influence culture and ensure that the Customer Advocate would be treated with sufficient authority, and would not have to negotiate the multiple layers of internal approval needed to deliver outcomes.
- It is a core role of the Customer Advocate to influence the business to recognise a problem, such as the unfair treatment of a customer, or a failure in bank processes, and to do something to fix it. In some organisational cultures, the forcing of a decision is more likely to be the cause of resistance, and thus longer term poor customer outcomes.
  - In one case, a large delegation had been approved for the Customer Advocate, but was later removed. This was in part because the Executive team was not aware that the delegation had been granted in the first place, but also because the Customer Advocate was being encouraged to focus on more strongly influencing the business to change.
- Some Customer Advocates can operate very informally, but still effectively, because the organisation perceives them to have implicit authority from senior leadership, and will likely prevail if an issue is escalated to the CEO. In one case, the alignment of views seemed so strong that senior staff told us they interpreted a view from the Customer Advocate as being tantamount to that of the CEO.

### Recommendations

Refer to **Recommendation 11** in **Appendix A: '1.1 Purpose'** above on the need for banks to document the purpose, roles, and responsibilities of the Customer Advocate in a terms of reference, charter or equivalent document.

<sup>17</sup> Section 3: Key observations on implementation – 'Visible senior engagement and support'.

### 1.3. Customer and businesses

The Customer Advocate's role will cover appropriate customers and businesses of the bank.

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#### ABA Guiding Principle

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The minimum scope of the Customer Advocate includes:

- 3.1**
- Retail and small business customers.
  - Core banking business, the bank's wholly-owned financial services businesses and financial services businesses operating under the licence of the bank
- 
- 3.2** Banks will need to consider their business model, including brand and operational footprint, when deciding what other businesses or third parties are within the scope of the Customer Advocate.
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#### Observations

##### • Scope of role

All banks reviewed appeared to allow access for customers of all types of the bank group's products or services to the Customer Advocate. Banks that were owned by larger financial services organisations have extended the remit to cover those financial services, including insurance, superannuation and financial advice.

#### Recommendations

No recommendations identified.



## 1.4. Structure and separation from the business

*In ensuring the customer has a voice in the organisation, the Customer Advocate must operate separately from the business units within the bank.*

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### ABA Guiding Principle

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*Banks should consider:*

- a.** *Structure: including separation from business units, reporting lines, reporting requirements and interaction with members of the senior executive, remuneration arrangements, recruitment and termination practices.*
  - 5.2 b.** *Perception: ensure customers, and internal and external stakeholders can trust in the role of the Customer Advocate*
  - c.** *Objectivity: the Customer Advocate must be fair, balanced, and act with the utmost integrity when making decisions or taking action.*
  - d.** *How to manage any perceived or actual conflicts of interest.*
- 

### Observations

The overarching principle from Section 5 (Structure and separation from the business) of the Guiding Principles is that the Customer Advocate must operate separately from the business units within the banks so that they are able to act independently. We observed different interpretations of independence across the banks, as well as different ways in which banks have operationalised the role to maintain separation from the business.

Our observations are detailed below:

- Refer to **Section 3: Key observations on implementation – Structure and separation from the business** for observations on reporting lines, internal or external appointments and fixed term versus employment contracts. No additional observations.
- **Remuneration arrangements** – The remuneration structure for a Customer Advocate varied, and included:
  - Fixed remuneration only, to support with the separation of the role from the business.
  - Fixed remuneration and variable pay under the bank's standard reward system. Our scope of work did not include a detailed assessment of the measures and metrics that inform decisions regarding how variable pay is determined, such as their Key Performance Indicators (KPIs). Based on our understanding of how the Customer Advocate's performance is assessed across the banks, we did not identify any actual conflicts of interest arising from variable pay, or the performance measures used for Customer Advocates. However, this is an area that organisations need to be conscious of, particularly where Customer Advocates receive a substantial portion of their remuneration based on the bank's profit or other financial measures.

In general, the banks we spoke to in Categories 1 and 2 recognised that the performance of the Customer Advocate should not be based on any financial metrics, and rather on other tests such as whether they met their strategic plan for the year, and the influence they had on the business to change customer processes or outcomes.

### Other considerations for structural independence

There are other aspects to structural independence for the Customer Advocate, which are outlined below.

- **Accountability for IDR/EDR** – A perceived conflict of interest exists at three Category 2 banks where the Customer Advocate is accountable for the bank's IDR function. Some External Stakeholders were concerned about this set-up, since the Customer Advocate may not be motivated to overturn IDR complaints, particularly where they have strong performance measures for the IDR function that include meeting complaint timetables. The conflict is more difficult to manage when the Customer Advocate has the complaints team reporting directly to them; a more arm's length model we observed is where the Customer Advocate had a number of teams, one of which is the IDR team with its own leader.



The Customer Advocate should be the person that IDR/EDR people call into help. They shouldn't be there in the trenches, they shouldn't be worried about KPIs and the costs of resolving a dispute.

– External Stakeholder

<sup>18</sup> At the time of our review, one Category 2 bank was in the process of changing the operating model to remove the perceived conflict of interest.

Customer Advocates with this responsibility explained that they had appropriate processes and controls in place to mitigate the perceived conflict of interest.<sup>19</sup> The scope of our work did not involve testing these processes and controls but, based on our interviews, we understand that the Customer Advocate's KPIs are not linked to measures likely to impact the objectivity of the advocate such as financial metrics. Customer Advocates with such a structure cited that one of the benefits was that it allowed them to quickly and easily identify and implement continuous improvement changes in the complaints handling process because they had greater visibility and control over the day-to-day operations. Nonetheless, organisations that adopt this model need to be continually mindful of the potential conflict of interest, and ensuring it is addressed. See below for recommendation.

- **Dual role** – All Customer Advocates from Category 3 banks have another role in addition to their Customer Advocate role. The Customer Advocates for four of these banks hold positions that include responsibility for improving customer experience. As noted elsewhere in this Report,<sup>19</sup> while there is some cross-over between customer experience and delivering fair and reasonable outcomes for customers, it is important for a Customer Advocate to be clear on the differences. They need to balance these responsibilities by actively considering issues such as whether a customer is sold the right product, and treated fairly, and to focus sufficient effort and resources on these specific issues.
- **Communications to customers** – One Customer Advocate explained that, when interacting with customers, they made a conscious effort to make their separation from the bank clear to customers by referring to the bank as 'them' and the Customer Advocate function as 'us' or 'we'. Refer to **Section 3: Key observations on implementation** for our observations on references to 'independent' Customer Advocates in external communications to customers and our recommendation.



## Recommendation 13

### Conflicts of interest –

Banks and Customer Advocates should consider on a regular basis whether there are potential conflicts of interest for the Customer Advocate that arise from the model, responsibilities or other factors. If there are actual or potential conflicts of interest, the impact of these should be actively considered on a regular basis and, if appropriate, changes should be made or processes put in place to effectively address the issue. There should be a periodic review of the effectiveness of any such processes and controls.



<sup>19</sup> Section 3: Key observations – 'Role design'.

## 1.5. Communication – internal and external

The role and responsibilities of the Customer Advocate should be clearly communicated to staff, customers and key stakeholders. It is important to identify and articulate the role, function and responsibilities of the Customer Advocate, particularly as the focus of the Customer Advocate may vary across banks.

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### ABA Guiding Principle

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*External*

- 6.1** *Customers should receive timely and straightforward information about the role, function and structure of the Customer Advocate, and how they can access the Customer Advocate.*
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- 6.2** *In communications about complaints handling, banks should focus on the Customer Advocate's role to conduct an impartial review, with the objective of reaching an outcome that is fair.*
- 

### Observations

#### • Accessing the Customer Advocate

Customers are alerted to the right to access the Customer Advocate via two key mechanisms: IDR/complaint resolution letters provided to customers, which are provided once a customer's complaint has completed the IDR process, and the bank's websites. We consider IDR letters in the next section.

As part of our review, we visited the webpages for all banks with a Customer Advocate to assess (1) how straightforward it was to locate the details of the Customer Advocate and access the Customer Advocate, and (2) how clearly information about the role was described. Better and poorer practices are detailed below.

#### **Better practices:**

- Information about the Customer Advocate is easy to find, such as through a reference with a click-through link on the Complaints page.
- The webpage includes a 'Frequently Asked Questions' section on the Customer Advocate page. This section includes questions such as 'do I have to contact the Customer Advocate before I contact an external dispute resolution body?' and 'In which instances won't the Customer Advocate review my complaint?' These questions help manage customers' expectations from the outset.
- The webpage clearly explains the ways in which the Customer Advocate operates separately from the bank. For example, this can mention the reporting line and whether the bank is bound by the Customer Advocate's findings.
- The webpage explicitly states that the Customer Advocate is unable to review complaints that have already been decided by EDR bodies (although we note that some Customer Advocates were prepared to re-open closed complaints in order to test their fairness.)
- Provides a link to additional articles and brochures with details of the purpose of the Customer Advocate and activities undertaken to achieve the objectives of the role.
- Provides a biography of the Customer Advocate that showcases the relevant experience the individual brings to the role.
- Provides details of expected timeframes for acknowledging escalated complaints and reviewing complaints.
- Provides customers with the option to contact the Customer Advocate by email, phone or via a postal address.

#### **Poorer practices:**

- For two banks, contact details for the Customer Advocate are not listed on the Complaints section of the bank's webpage and there is no reference to the Customer Advocate or how to access them. Customer Advocate details only appear if a search is conducted for 'Customer Advocate' via the website search function. The lack of details on the Complaints page is a missed opportunity to inform customers about the role.
- Similarly, another bank does not clearly signpost the ability to access the Customer Advocate on the Complaints section of the webpage, which may leave customers unaware that they can access the Customer Advocate.
- One bank's complaints webpage includes a brief sentence to explain the role of the Customer Advocate, which is worded in way that may leave customers confused about the differences between the review of the complaint by the IDR team and the Customer Advocate.
- On the Complaints webpage, one bank states that the Customer Advocate can be contacted if the customer feels the complaint has not been resolved to their satisfaction, but does not provide any contact details for the customer to do so.



## Recommendation 14

### Communication – how to access the Customer Advocate –

Banks should review the information available on their websites and consider how they can enable customers to more easily identify the role of the Customer Advocate, and when and how customers can contact them.

### ABA Guiding Principle

*External*

**6.3** *Banks should be mindful of their Code of Banking Practice and other obligations and ensure that customers are aware, whether or not they have access to the Customer Advocate, they still retain their rights to access external dispute resolution schemes as well as other support services where appropriate. Banks should always ensure that customers are aware of the relevant time limits for decision-making*

### Observations

#### • Confusing communications for customers

At the end of the IDR process, banks are required to send customers a letter outlining the decision that the bank has made about the complaint, and provide the customer with information about the customer's right to access EDR with AFCA.

We found that, in many IDR letters for banks from all three categories, it is not made sufficiently clear to the customer that, regardless of whether they next choose to escalate their complaint to the Customer Advocate, they still have access to AFCA, for a period. This observation is aligned with the concern of some of the External Stakeholders that we spoke to, who noted that written communications including both IDR outcome letters and email correspondence from IDR teams to customers was often confusing for customers.

The following needs to be clear for customers:

- The differences between the role of the Customer Advocate and EDR schemes.
- That the customer retains their right to escalate their complaint to AFCA at any time while they are dealing with the Customer Advocate.
- The role of the Customer Advocate. We reviewed some IDR outcome letters that simply state that customers can refer their complaint to the Customer Advocate without explaining their role and why a customer might choose to escalate to them.
- How long the Customer Advocate might take to consider their dispute, or what the process for the review would be, including how the Customer Advocate would regularly communicate with customers.

It would be better practice also for the Customer Advocate to, if a referred complaint is taking a long time to resolve, be mindful of the potential upcoming expiry of the end of any AFCA referral periods for the complaint. If a matter takes considerable time to work through, the Customer Advocate could consider reminding the customer that their right to refer their complaint to AFCA may expire soon, and the consequences of letting it lapse.

### Recommendations

Refer to **Recommendation 8** for our recommendation on communications provided to customers about how to escalate complaints to the Customer Advocates after the IDR review has been completed.

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## ABA Guiding Principle

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	<i>External</i>
<b>6.4</b>	<i>Banks should be transparent about the work of the Customer Advocate, including communication and awareness raising on the Customer Advocate's activities and results. Given the public nature of the industry commitment, explanation on the work of the Customer Advocate should be communicated.</i>
<b>6.5</b>	<i>Banks should consider how best to explain the role, function, structure and outcomes of the Customer Advocate through regular public reporting, such as an annual report or corporate responsibility report. In addition, banks could consider additional disclosures, including on the bank's website, Customer Advocate charter, or a combination.</i>

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## Observations

### • Publicly communicating the activities and outcomes of the Customer Advocate

As mentioned above, External Stakeholders were particularly keen to have transparency on what changes the Customer Advocates and the banks were making over time.

All Category 1 banks and some of the Category 2 banks have publicly communicated the work of the Customer Advocate including activities and results in Annual Reports, and Corporate Responsibility and Sustainability reports. Category 3 banks have publicly communicated the appointment of the Customer Advocate, but not details about the Customer Advocate's activities and results. This is partly explained by the low volume of complaints received by the Customer Advocates. We highlight some good practices below.

#### **Good practices:**

- Providing examples of key activities undertaken by the Customer Advocate and the resulting impact for both the bank and customers in Annual Reports, or Corporate Responsibility and Sustainability reports. For example, one Customer Advocate reported on the results of their thematic reviews of complaints, such as focusing on disputes from older customers and recommendations made to improve product design and business rules.
- Providing stories of complaints reviewed by the Customer Advocate and the outcome of the review. These can bring the complexity of complaints to life, and highlight the challenges of dealing with complaints where they are not black and white and determining what is fair and reasonable can be a grey area.
- Providing quantitative data to highlight the outcomes of the Customer Advocate specifically in relation to individual complaints reviews. These measures include:
  - Timeframes: average number of days taken to resolve complaints referred to the Customer Advocate by customers compared to the target timeframe for resolving complaints.
  - Outcomes from the Customer Advocate review process: percentage breakdown of the outcomes including statistics on where the Customer Advocate agreed with the bank's decision, compared to when they changed it.
  - What occurred after the Customer Advocate's review, such as whether the customer escalated to EDR, and whether those decisions were overturned.
- Providing examples of initiatives and actions taken to help vulnerable customers.
- Using a variety of communication channels, in addition to Annual Report and Corporate Responsibility and Sustainability reports, to publicly communicate details about the activities and results of the Customer Advocate to reach different audiences. For example:
  - One bank produced a brochure that showcases the breadth of work completed by the Customer Advocate team in an easy to digest format, and has made this available in branches and on the bank's website.
  - One bank published a number of articles written by the Customer Advocate on their experiences of being in the role and key achievements.

Further detail on observations on how the Customer Advocate can be measured is detailed in **Section 3: Key observations on implementation – Measuring the impact of the Customer Advocate.**

## Recommendations

Refer to **Recommendation 7** for our recommendation on publicly communicating the activities and outcomes of the Customer Advocate.

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**ABA Guiding Principle**


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*External*

- 6.6** *Both the bank, through appropriate internal departments, and the Customer Advocate should establish and maintain regular engagement with key external stakeholders, including external dispute resolution schemes and customer representatives.*
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**Observations**

- **Engagement with customers and community**

An important element of the Customer Advocate's role is hearing from customers, and accessing External Stakeholders such as Consumer Groups who can provide an outside-in perspective.

Two of the larger banks and one mid-size bank have established both formal and informal mechanisms for engaging with customers and Consumer Groups to understand the needs and concerns of customers. Examples of these mechanisms include:

- Customer Advocate Community Council – this forum brings together 25 thought leaders and senior representatives from Consumer Groups and social policy organisations. The Council meets up to four times a year to support the Customer Advocate to understand the needs and concerns of customers and the community and to provide a sounding board for ideas and challenges faced by the bank.
- Vulnerable Customer Council – this forum brings together representatives from consumer advocacy groups, financial counsellors and Consumer Groups to understand their views and perspectives on the bank's approach to issues impacting vulnerable customers.
- Regular visits to regional areas across Australia to meet with customers and community leaders to better understand how banks can support regional customers.

In our interviews, two External Stakeholders involved in the forums described above noted that, while they saw value and the potential for change from these forums, they are keen for there to be transparency about the achievements of Customer Advocates in driving the fairer treatment of customers.

Many of the Customer Advocates for Category 2 and Category 3 banks recognise the value of proactive engagement and collaboration with customer representatives, particularly in supporting vulnerable customers, but cited resourcing constraints as a key obstacle to making this happen. Customer Advocates are also cognisant of the potential burden on smaller Consumer Groups if 10-15 Customer Advocates attempt to engage with them separately. External Stakeholders also noted that more work needs to be done to improve the level of awareness of the Customer Advocate roles across Consumer Groups, including when to contact them. Smaller groups acknowledged that they do not have the capacity to regularly meet with each Customer Advocate individually.

- **External awareness of the Customer Advocate role**

External Stakeholders have mixed levels of awareness of Customer Advocate roles. In general, the most influential consumer advocacy groups had access to the Customer Advocates at the larger banks, but:

- Were not sufficiently clear on the mandate of the Customer Advocate and when to engage them.
- Had limited or – more likely – no exposure to the smaller bank Customer Advocates.
- Smaller Consumer Groups cited low awareness of the roles, and thus how they could access the Customer Advocate, or what their mandate was.

Consumer advocacy groups were particularly interested to find out what each Customer Advocate does, as they were not aware of the mandate for every role. We note that the different approaches by banks, particularly in relation to complaints escalation, can create confusion with customers and External Stakeholders. Consideration could be given to the feasibility of adopting an aligned approach for some aspects of Customer Advocate roles so it would be clear, for example, that every Customer Advocate dealt with complaints from all retail or small business customers of the bank.

**Recommendations**

Refer to recommendations in **Section 4: What do External Stakeholders think?** on the need to raise awareness externally and internally of the role, support community engagement, report to External Stakeholders, and consider alignment of complaints escalation roles. No additional recommendations.

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## ABA Guiding Principle

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*Internal*

- 6.7** *Banks should ensure all relevant staff understand the role of the Customer Advocate, when matters can be escalated, and how the Customer Advocate is making a difference for customers, and within the bank.*
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### Observations

#### • Internal awareness

All banks appear to have communicated internally about the appointment of the Customer Advocate when the role was initially created. This announcement could be through emails sent to all staff, and articles and videos on internal intranet pages.

However, in most banks, there was a notable gap in ongoing communications to staff regarding the existence and importance of the role, its impact and achievements, or even a refresher on the purpose of the role, or informing new staff through induction programs or mandatory training. This potentially means that staff across the organisation are unaware of the Customer Advocate, including their ability to consult with the Customer Advocate on relevant matters or refer customers to the Customer Advocate team, where applicable.

In addition, regular communication about the role is an important way to both show the organisation's support for the Customer Advocate, to recognise how positive customer outcomes are being achieved, and reinforce cultural change and expectations of staff around the organisation's purpose. At a time where the focus on customers is banks' primary objective, the Customer Advocate's 'good news' stories, or education of staff and senior executives about emerging issues, community concerns or negative customer impacts, represent an important opportunity that banks can use to elevate a strong customer-centred narrative through mechanisms such as story-telling.

Some banks have embraced the Customer Advocate's story for staff communications.

#### ***Better practices:***

- Formal internal engagement plan – one bank developed a detailed internal engagement plan to communicate the purpose of the role to senior leaders, key stakeholders, and business unit leaders with tailored messaging.
- E-learning – one bank developed a 20 minute mandatory e-learning module on the Customer Advocate role for all frontline staff, and monitored completion of this training to support internal awareness of the role.
- Experiences and story-telling for senior executives – at an Executive Leadership Team meeting, the Customer Advocate for one bank conducted a Q&A session with two of the bank's customers on their negative experience with the bank. This example was cited by both the Customer Advocate and the CEO as a powerful experience for the leadership team. It brought to life the complexities of resolving 'grey' cases, and provided a sense of awakening about the issues that plague customers.
- Secondments – two banks regularly seconded staff from other business areas into the Customer Advocate team to supplement their resourcing, and to also raise awareness about the Customer Advocate in different parts of the bank.
- Videos – two banks created videos showcasing the work of the Customer Advocate and broadcasted these on the bank's internal TV channel. One of the videos featured an interview with the Customer Advocate and a message from the CEO on the importance on managing complaints effectively.

### Recommendations

Refer to **Recommendation 9** for our recommendation on promoting internal awareness of the Customer Advocate role.

## 1.6. Reporting framework

Banks will monitor the awareness and effectiveness of the Customer Advocate to ensure continuous improvements and things are being made easier for customers.

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### ABA Guiding Principle

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- |            |                                                                                                                                                                                                                                                |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>7.1</b> | <i>Banks should have in place processes to monitor the performance of the Customer Advocate in making things easier for customers.</i>                                                                                                         |
| <b>7.2</b> | <i>Banks will need to design and implement internal mechanisms to measure the effectiveness of the Customer Advocate.</i>                                                                                                                      |
| <b>7.3</b> | <i>Banks should consider seeking regular independent assurance of the effectiveness of the Customer Advocate and ensuring that a process exists to embed improvements as a result of these findings, and other internal audits or reviews.</i> |
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### Observations

#### • Measuring the impact of the Customer Advocate

Refer to our observations in **Section 3: Key observations on implementation – Measuring the impact of the Customer Advocate.**

We asked Customer Advocates how their individual performance was measured internally. More than half did not have defined measures in place and cited the subjective nature of measuring performance as a key challenge. Examples of how performance is assessed internally include:

- Progress against strategic or operational plans – the Customer Advocate is assessed against whether they have implemented their annual plan of activities/initiatives for the year.
- Successful influencing of peers and good judgement to deliver organisational change for improved customer outcomes (measured via 360 feedback, and/or recommendations to the business that have been agreed and delivered).
- Measured against the delivery of items listed in the Customer Advocate job description. For example, the identification of potentially systemic issues, or the delivery of insights to the bank to be able to improve fair outcomes for customers.

### Recommendations

Refer to our recommendations in **Appendix C: Recommendations** listed under the 'Improving transparency, accountability and reporting' category.

## 2. What impact are the Customer Advocates having in the banks, and for customers?

This section explores the impact that Customer Advocates have made to date, and describes some of the initiatives and changes that Customer Advocates have been able to drive across their business to support the consistent delivery of fair and reasonable outcomes for customers. This section covers three areas: complaints, systemic issues, and remediation. As requested by the ABA, we specifically focused on exploring the impact that Customer Advocates have had on vulnerable customers, which appear in the next section.

We heard many inspiring stories of the impact that Customer Advocates have had on the banks and individual customers, and have selected a range of those stories for inclusion here.

It is important to note that we have not conducted an assessment of each individual Customer Advocate's performance. Rather, we have considered what each Customer Advocate has been able to achieve, particularly in light of their mandate, and how the organisation has set them up. Notably, a Customer Advocate can only be as successful as the organisation supports and positions them to be, so strong organisational set-up and belief is closely linked to what they can deliver.

### 2.1 Complaints

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#### ABA Guiding Principle

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*Responsibilities could include for example:*

- 2.3**
- *Making it easier for customers to navigate the complaints handling process, and when appropriate assist customers with specific issues or problems and deal with complaints and case management.*
  - *Providing another internal avenue from complaints handling decisions, providing guidance to complaints handling teams, or acting as an internal escalation point for difficult issues.*
  - *Improving the system for resolving complaints and streamlining disputes.*
- 

This section describes some of the ways in which Customer Advocates have delivered on the responsibilities listed in Guiding Principle 2.3.

#### **Better practices:**

##### • **Educating the business on the value of complaints**

- We heard from both Customer Advocates and External Stakeholders that complaints are not always or consistently captured by staff. One Customer Advocate has created a monthly Customer Voice newsletter for frontline staff with the objective of helping to educate them on the value of complaints. The newsletter shares stories of customer complaints and ways in which the bank has taken action, for example, changes to processes and technology, to improve outcomes for customers. The newsletter also features a section on positive feedback received from customers.
- The Customer Advocate for one bank has supported an initiative led by the bank's IDR function to raise awareness of the value of capturing complaints.

##### • **Improving the bank's IDR process**

- A common issue identified by the Customer Advocates at a Category 2 and Category 3 bank in the complaints handling process was the inconsistent capture of complaints. These Customer Advocates have worked with the business to improve the complaints capture process. Some Customer Advocates noted that the lack of consistent capture and categorisation of complaints created challenges in being able to effectively conduct root cause analysis of complaints data and limited their ability to identify systemic issues. Refer to Section 4: What do External Stakeholders think? for feedback from External Stakeholders on complaint handling more broadly.

##### • **Upskilling complaints handling teams**

- One Customer Advocate played a key role in designing and implementing the bank's IDR training program for 2018, which included leading the delivery of a module on 'Decision making and Judgement'. We heard that the training has led to frontline teams and IDR staff proactively seeking a fresh perspective on complaints they are dealing with from the Customer Advocate office to ensure their thinking and approach is sufficiently balanced and robust.

##### • **Resolving longstanding complaints**

- We have heard how some Customer Advocates have successfully been able to 'cut through' longstanding complaints to reach a resolution with customers, and to provide the organisation with insights about how complaints became entrenched in the first place. Some Customer Advocate roles have a significant focus on longstanding complaints in particular.
- For one bank, the Customer Advocate attends a weekly Customer Outcome Committee meeting in which representatives from IDR, EDR, and hardship teams discuss challenging and complex cases (for example, customers in vulnerable circumstances). In some of these cases, the Customer Advocate plays a proactive role in bringing the matter to a resolution, including going out to meet with customers.

- **Reopening closed complaints**

- We heard that one Customer Advocate is reopening previously closed complaints due to requests from customers, even though in some cases a settlement deed was signed by both parties. This is because the Customer Advocate is concerned that customers may not have received fair treatment.

- **Approaches to reviewing complaints**

- As part of our review, we sought to understand how Customer Advocates approach reviews of individual complaints. Good practices included:
  - Calling the customer at the beginning of the review to establish and validate the background and history of the complaint and to manage expectations of the review process.
  - In addition to reviewing information on file, requesting additional information where necessary, either directly from the customer or the business.
  - Meeting with customers face-to-face.
  - Conducting a full investigation of the complaint, rather than simply reviewing the complaint file. This approach has the tendency to surface deeper and more systemic issues, and also identify where the customer’s complaint was misunderstood or only partially resolved.

## 2.2. Systemic issues and Remediation

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### ABA Guiding Principle

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*Responsibilities could include for example:*

- 2.3**
- *Identifying systemic issues or problems, such as enhancing complaint handling capability, continuous improvement and improving fairness, transparency, speed of resolution and ease of use for customers.*
  - *Recommendations for implementing, overseeing and reviewing remediation processes.*

- 2.7**
- The Customer Advocate should have a strategic influence with regards to helping broader cohorts or groups of customers as well as identifying systemic issues or problems within the bank. This could include shaping or overseeing remediation programs, influencing product development and distribution processes, or engaging in preventive risk management initiatives.*

- 7.4**
- Banks should consider how they make sure, and to what extent, the changes identified and recommended by the Customer Advocate are implemented.*
- 

Complaints data is an invaluable source of information for identifying potentially systemic issues. The mandate for some Customer Advocates includes identifying potentially systemic issues from complaints data. We heard a number of examples of systemic issues that have been identified by Customer Advocates. Examples and our observations are listed below.

### Improving fairness

A spike in complaints occurred in relation to one bank’s savings account product, which provides interest to customers as long as the customer does not make a withdrawal. The complaints related to the fact that communications about the penalties of withdrawing money from the account were not clear. The Customer Advocate influenced the business to update advertising and marketing material to make this clearer.

External Stakeholders said that the Customer Advocates they deal with are able to apply a ‘fairness’ test to customer problems, which they valued, since otherwise such issues could have no natural ‘home’ within the banks.

### Identifying systemic issues and themes

A number of Customer Advocates proactively identify issues arising from complaints reviews, data analytics, or their other work. Where those issues are found to be systemic, the Customer Advocate will often make a recommendation to senior management or the business to resolve them. Some Customer Advocates conduct thematic reviews or self-initiated reviews to investigate potentially systemic issues, or to better understand the bank’s customers or challenges they may be facing (e.g. due to vulnerability).

### Monitoring the resolution of systemic issues

Better practices that we observed was that these systemic issues were funnelled into the incident or issues management process within the bank, so that it was allocated an accountable person for resolution, and there was oversight of this through ongoing governance within the bank.

However, a common theme across the Customer Advocates was that, where the Customer Advocate has identified a genuine systemic issue, the resolution of the issue is not consistently owned and monitored by management.

### Customer Remediation

The majority of the Customer Advocates do not have specific responsibilities in relation to remediation. This is because, for some smaller bankers, there is no need, or responsibilities lie in other parts of the business. We have detailed below examples of how Customer Advocates have supported remediation activities within the banks:

- One Customer Advocate is involved in assessing proposed Customer Remediation Programs to determine its design and suitability to deliver fair and reasonable customer outcomes. In undertaking this assessment, the Customer Advocate assesses whether the proposed design for the remediation program, including processes, procedures and customer communications, is accessible, and transparent. Customer Remediation Programs, or a change to a Customer Remediation Program, will not be implemented until the Customer Advocate has undertaken their review and is satisfied that the Customer Remediation Program will deliver fair and reasonable customer outcomes.
- Similarly, another Customer Advocate's role in remediation programs is to ensure any remediation of affected customers is fair, consistent and performed in a timely manner, with a specific responsibility to review, oversee and/or advise on significant customer remediation programs. In response to ASIC's Regulatory Guide 256 – Client Review and Remediation, in August 2017, the Customer Advocate and the bank's Compliance function published Review and Remediation Protocols. These Protocols provide guidance on the scope and design for a robust remediation process where a systemic issue has been identified.
- One Customer Advocate has supported a number of remediation projects that have varied in nature and size (some impacting less than 20 customers and others with tens of thousands), both simple and complex. The nature of support provided has varied both in terms of the focus and the level of support, and has covered areas including, governance, end-to-end process design, and customer communications, as well as technical aspects such as population identification and compensation calculations.
- We heard that the Customer Advocate for one bank was asked by the business to review letters to customers inviting them to take part in a remediation program. The Customer Advocate recommended enhancements to the letters to improve the likelihood of customers opting into the program.



### Recommendation 15

#### Systemic issues –

Where the Customer Advocate has identified a genuine systemic issue, and the issue is accepted by the business as problematic, banks should ensure that the issue is addressed in their formal incident or issue management process, including the allocation of clear ownership and proactive oversight of its resolution at senior levels.

### 3. How are Customer Advocates helping vulnerable customers?

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#### ABA Guiding Principle

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*Responsibilities could include for example:*

**2.3(f)** *Providing referrals to other support services, including financial counselling services, community legal centres, and mental health services.*

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**2.6** *Banks should consider how the Customer Advocate can enhance the complaints handling process for vulnerable or disadvantaged customers or particularly sensitive complaints or matters. This could include some older customers, customers with a disability, customers experiencing financial hardship, Indigenous customers, culturally and linguistically diverse people, or customers with special needs. It can also include customers who would not usually be regarded as vulnerable or disadvantaged, but whose situation increases potential vulnerability, such as due to a natural disaster or illness or injury.*

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In general, most services and products work on the assumption that customers are able to, and do, take ownership of their financial well-being, and are capable of representing their own interests. This is often untrue when a person is experiencing some form of vulnerability. Banks have the opportunity to make things easier for customers in these situations, and to ensure customers receive suitable and fair outcomes.

Not all Customer Advocates have accountability for vulnerable customer initiatives and, where this is the case, our review did not include an assessment of how those banks are dealing with vulnerable customers.

#### Summary observations

- We have observed some very strong examples of changes that have been driven by the Customer Advocates, and embraced by banks, and have included examples in the case studies below.
- We found that many Customer Advocates had not established, or are in their infancy of establishing, their approach to vulnerable customers. The Customer Advocates for seven of the nine Category 3 banks generally do not conduct any proactive work to identify vulnerable customers or tailor their approach. Customer Advocates within this category cited that minimal progress had been made due to the resourcing constraints that arose from having additional roles within the bank.
- We found that larger banks generally define vulnerable customers to include the following types of customers (among others): customers with a non-English speaking background, Indigenous customers, customers who are experiencing financial hardship, elderly customers; and customers with mental health issues. Smaller banks have either not explicitly defined vulnerable customers, or have a narrow definition of vulnerable customers limited to customers in financial hardship.
- Some Customer Advocates in the Category 1 and 2 banks have established strong relationships with Consumer Groups, and actively seek their insights and experiences so they can create more relevant and targeted programs or initiatives to support vulnerable customers.
- The Customer Advocates have established a forum to come together as a community to share their experiences and encourage better practices across the banks. A particular focus is to improve the bank's recognition and treatment of vulnerable customers, and consider common approaches or collective action in relation to appropriate issues. They have started to invite external speakers, including consumer advocacy groups. The sharing of learnings across the group looks to be creating a stronger impetus for better practice and we encourage the continuation of this forum.
- In addition, we are aware of many Customer Advocates proactively sharing their learnings and work with others on a regular basis.

## **Case studies**

During our review, we came across good practices and examples of changes and improvements that were driven by the Customer Advocate in an effort to support vulnerable customers, which are discussed in detail below.

### **Use of data analytics to identify customers who may be vulnerable**

One Customer Advocate has developed a tool that uses data analytics to 'pre-identify' customers who may be vulnerable, and – in conjunction with an external advocate group – also created internal guidance in the form of 'Customer Care Guide Pages' to help staff support vulnerable customers. These tools enable complaints staff to both identify customers who have a higher likelihood of being vulnerable, and also understand better how to assist them, such as by referring customers to external support.

They have also led an 'early intervention' pilot in conjunction with bank branch teams. Under the pilot, customers who are exhibiting early signs of financial difficulty receive proactive contact from the bank, and are offered help to secure their financial positions before they found themselves in default or financial hardship.

Similarly, another Customer Advocate has engaged senior internal fraud staff within the bank to pilot a program to leverage the bank's data analytics capability and fraud systems to test if financial abuse can be identified more quickly.

#### **Example of how the data analytics tool has had an impact:**

The Customer Advocate used a series of transactional and geographic data indicators to identify 2,300 remote Indigenous customers using accounts leading to poor individual outcomes. The customers were being charged assisted transaction fees based on their use of a specific savings product, including when they called the Indigenous Customer Assistance Line (ICAL) to assist them with phone-based transactions. This group of customers had a higher likelihood of vulnerability due to a range of factors such as their remoteness from the bank's branches, and their reliance on phone banking (including ICAL). These customers were being charged since the fee was introduced in May 2017. Working with the Retail Bank product team, the customers were refunded the assisted transaction fees charged since it was introduced (\$82,000) and a new price option is now in place to prevent future charges.

### **Upskilling frontline staff**

Many Customer Advocates have played a key role in the education of frontline staff to recognise customers who are subject to vulnerabilities, such as elder abuse or dementia, and equipping staff to deal with the situation to aid the customer. We understand that training on this topic has become mandatory in some banks. We observed detailed procedure guides for staff on how to support different types of customers experiencing vulnerability.

### **Supporting victims of financial abuse**

One Customer Advocate established a new team in 2018 dedicated to dealing with customers who are experiencing financial abuse (domestic, elder, disability or cultural). In the first three months after the Customer Advocate launched the new training for frontline staff, the team has assisted around 250 vulnerable customers experiencing financial abuse.

### **Taking a holistic approach to supporting vulnerable customers – providing referrals to external organisations**

A number of Customer Advocates have established partnerships with organisations including financial counselling services, community legal centres, and mental health services for the purpose of referring vulnerable customers to these organisations.

One Customer Advocate identified the opportunity to better support their vulnerable customers, and worked with an external advocacy group to review their existing support mechanisms. The review resulted in the bank implementing initiatives such as research on societal trends, developing a database of network referrals to social support groups, an overarching approach for organisation-wide vulnerability policies, systems that support identification of vulnerability, as well as staff training and support.

One Customer Advocate has partnered with a Consumer Group to develop a holistic approach to supporting customers experiencing financial hardship, and who may also be struggling with unemployment, a family situation, health concerns, or other financial pressures. Customers who need more than financial counselling assistance are referred to a centralised single point of contact that is able to connect them to a coordinated range of support services, including housing support, social workers, drug and alcohol services, home energy assessments, and employment services. Since its inception, the bank has referred more than 1,200 customers in hardship to the program.

**Example of providing referrals to support vulnerable customers:**

The Collections Team within one bank became aware that an elderly customer, who lived alone and had no immediate family, had stopped making payments on a loan and, over time, had become unresponsive to communication. His neighbours said they rarely saw him. The matter came to the Customer Advocate because the customer was extremely vulnerable. The Customer Advocate soon realised that the customer had both physical and mental health disabilities and required help. With the customer's permission, the Customer Advocate then took action through the bank's outreach team to locate and engage with his brother, the local area community mental health centre, community groups like Meals-on-Wheels and also Centrelink, to help the customer obtain the family and community support he needed, including the help he needed to find sustainable and appropriate accommodation.

**Example of supporting customers who are less able to help themselves**

A bank customer became severely disabled due to an accident, and as a result, received a negotiated large lump sum compensation payment, to draw on for the remainder of his life. Shortly after, the customer began transferring very large sums of money to a gambling organisation. Branch staff identified this and contacted the Customer Advocate for help as they were unsure on what to do. The Customer Advocate arranged for a temporary restriction on the customer's account for these transactions, and contacted a community organisation to arrange support for the customer. The Customer Advocate worked with the customer to restructure his accounts, and continued to work with the community organisation and an external financial adviser to attempt to recover the very large sum of money from the gambling company. The customer has since expressed to the Customer Advocate how grateful they are that the Customer Advocate had intervened. The gambling company has also agreed to refund all funds to the customer.

**Supporting customers dealing with bereavement**

An example of an initiative completed by a Category 3 bank was within their Deceased Estates Processes. As a result of receiving negative feedback regarding the estate forms, the Customer Advocate reviewed the entire Deceased Estate Process. Feedback from solicitors, family members and staff was that the forms were too long, confusing and the language was difficult to understand, resulting in customers failing to complete the forms. The Customer Advocate simplified the forms, and also identified duplications in the process for obtaining identification from executors, beneficiaries and joint account holders who were also bank customers. In conjunction with the legal team, the process was streamlined and workshops were conducted with the deceased estate teams to ultimately improve the Deceased Estates Process and reduce timescales for the executives/administrators.

**Raising awareness of support available for vulnerable customers**

One bank designed a number of guides, available in branches and online, to raise awareness of the support services that are available for customers who could be experiencing some form of abuse. The creation of one of the guides on the subject of elder abuse was supported by training to 9,000 bank staff, across around 1,000 branches nationwide, on how to recognise and report signs of elder abuse.

**Example of publications:**

The bank has launched a guide and awareness program to help protect older people from financial abuse, scams and frauds. The guide outlines the types of financial abuse to look out for, tips to avoid scams and fraud, a list of contacts and referrals, and practical steps to help safeguard the interests of older people.

#### 4. Recommendations on changes to the ABA Guiding Principles

The Guiding Principles were primarily designed to support banks in their implementation of the Customer Advocate initiative. Overall, they appear to have served this phase well, providing flexibility in how to operationalise the Customer Advocate role, and offering a set of minimum expectations to promote a level of consistency in approach to this initiative across the banks.

It has been around two and a half years since the Guiding Principles were first agreed, and it is worth reflecting on whether the Guiding Principles should evolve, particularly in light of the observations arising from the Royal Commission, and the updated Code. We have suggested some areas to consider below.

##### **Aligning of Customer Advocate's purpose with Royal Commission and the Banking Code of Practice**

There are a number of different statements about the Customer Advocate's purpose or core objectives, and the activities they should or may be engaged in, which appear in a number of places in the document (for example, Guiding Principles Introductory wording, 1, 1.1, 2, 2.7, 4.2). The different statements in such provisions can make the fundamental purpose of Customer Advocates in the industry somewhat confusing. While we recognise that each organisation needs the flexibility to establish a Customer Advocate that makes sense for its customers and its business, these could be clearer and more consistent.

In light of the findings of the Royal Commission, core objectives could centre more clearly on ensuring fair treatment of customers, or on ensuring fair and suitable outcomes for customers, rather than 'making things easier' or 'customer experience' (which, although relevant, can distract from the more challenging but critical objectives centred around achieving fairness).

The Statement of Guiding Principles that underpin the updated Code, in particular, align strongly with the potential role of Customer Advocates. These could be used to clarify purpose and provide banks a framework to revisit the Customer Advocate roles. While all these principles are all relevant, there is particular opportunity in aligning the roles to the following:

- *We are committed to making promises and keeping them to deliver good customer and community outcomes.*
- *We will recognise our role in society and our impact on the wider community.*
- *We will be fair and responsible in our dealings with you.*
- *We will ensure banking services are accessible, inclusive and provided to you in a fair and ethical manner.*
- *We will raise awareness of the basic (low or no fee) banking products that we may offer.*
- *We will work to help you if you are experiencing financial difficulty.*
- *We will communicate with you in a clear and timely manner.*
- *We will be accountable in our dealings with you.*
- *We will be transparent in our communications with you.*

### Providing further guidance or clarity

In addition, as many banks move into the next phase of this role, embedding and identifying continuous improvement opportunities, the Guiding Principles should be updated to provide greater clarity on how to achieve some of the principles in practice. For example,

- The principles can be inconsistent in defining core aspects of the role, as they combine minimum expectations and standards with suggestions and examples.
  - For example, there are some conflicting references to what banks or Customer Advocates “should do” or “could do”. Principle 2.7 notes that “the Customer Advocate should have a strategic influence with regards to helping broader cohorts or groups of customers as well as identifying systemic issues or problems within the bank.” However, Guiding Principles 2.3(d) and (e) note that responsibilities “could include” identifying systemic issues or problems or provide recommendations for implementing, overseeing and reviewing remediation processes.
- Guiding Principle 1.4 – “Banks should detail how the Customer Advocate will help to achieve the stated purpose for their retail and small business customers and other stakeholders”.
  - This principle should be updated in line with **Recommendation 11**. This would encompass formally documenting the purpose and mandate and establishing minimum content for that documentation. It also contemplates that the document should be approved by senior management and, as the role evolves, should be updated to reflect changes to the role.
- Guiding Principle 6.5 – “Banks should consider how best to explain the role, function, structure and outcomes of the Customer Advocate through regular public reporting, such as an annual report or corporate responsibility report.”
  - This principle should be updated in line with **Recommendation 7**, which provides suggestions for what reporting might include and the expectation that all banks should report at least annually on the activities and outcomes of the Customer Advocate.

### Removing areas of overlap

We used the Guiding Principles as the basis for the assessment criteria for this PIR. In doing so, we observed that a number of Guiding Principles overlap, and as noted above, some are inconsistent, which made it difficult to form a clear view on the assessment of each model. There is an opportunity to simplify and restructure the 32 Guiding Principles. For example:

- Guiding Principles 1.2, 1.3 and 5.2(b) – there is an opportunity to restructure or simplify these principles as the key messaging here is about considering the individual business models of the banks (including the scale and complexity) when designing/implementing the role.
- Guiding Principles 2.1 and 2.2(a) – there is some overlap in relation to having direct contact with customers.
- Guiding Principles 2.2(a), 4.2(d), 5.6 and 6.6 – all of these principles are about engaging with customer representatives (i.e. External Stakeholders) or access to external feedback and advice.
- Guiding Principles 2.3(d)/(e) and 2.7 – there is some overlap in relation to responsibilities relating to the identification of systemic issues and overseeing remediation.
- Guiding Principles 6.4 and 6.5 – an opportunity exists to combine and simplify these principles as the key messaging relates to public disclosure or reporting about the role and Customer Advocate outcomes.
- Guiding Principles 7.1 and 7.2 – an opportunity exists to combine and simplify these principles as the key messaging relates to measuring the performance or effectiveness of the Customer Advocate.



## Recommendation 16

### Review of Guiding Principles –

The ABA should consider reviewing the Guiding Principles as outlined below, and elsewhere in this Report, including:

- Aligning the Guiding Principles related to the purpose, roles and responsibilities of the Customer Advocate to the Statement of Guiding Principles in the Banking Code of Practice, in particular, objectives related to fairness and customer outcomes.
- Streamlining them to remove overlap and clarify the difference between elements of the role that are expected, and those that are left to the discretion of the individual bank.
- Considering whether references to ‘measurement’ of the Customer Advocate should be changed in light of **Recommendation 4**.

# Appendix B: Scope and approach to conducting this review

## 1. Our scope and approach

The table below lists out the 17 banks that participated in this PIR and their categorisation (this table is also included in **Section 1: Background, scope and approach**).

Category	Type	Participating Banks	Total
1	Major Banks	Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, National Australia Bank Limited, and Westpac Banking Corporation	4
2	Mid-sized banks including regional and international banks	AMP Bank Limited, Bank of Queensland Limited, Bendigo and Adelaide Bank Limited (includes Rural Bank Limited), ING Bank (Australia) Limited, and Suncorp-Metway Limited	5
3	A combination of mid-sized and small banks	Arab Bank Australia Limited, Bank Australia Limited, Citigroup Pty Ltd, HSBC Bank Australia Limited, Macquarie Bank Limited, Members Equity Bank Ltd, MyState Bank Limited, and Rabobank Australia Limited	8
			<b>17</b>

We performed a more in-depth review of Category 1 and Category 2 banks and a less detailed review of the Category 3 banks. Our approach consisted of the following activities, conducted between October 2018 and March 2019. Accordingly, the observations and recommendations made in this Report are based on the timing of documents and interviews:

- Document review
  - Category 1 and 2: a more in-depth document review. Documents reviewed included, but were not limited to, charters, role descriptions, process documents, and Customer Advocate complaints data, as well as evidence of initiatives undertaken by the Customer Advocate, and any proposed activities such as a strategic or operational plans.
  - Category 3: review of the same documents as above, although, in general, less documents existed for banks in this category.
- Interviews with the banks
  - Category 1 and 2: typically a total of four interviews per bank including with the Customer Advocate, the CEO or their delegate, and two stakeholders that the Customer Advocate works closely with. Where a bank had more than one person in a Customer Advocate-style role (regardless of the role title), we may have conducted more than four interviews. The purpose of the interviews was to understand how the bank had established their Customer Advocate role, and the impact and effectiveness of the Customer Advocate through a range of viewpoints.
  - Category 3: one interview with the Customer Advocate. The purpose of the interviews was to understand the scope of the role, and particular challenges faced in smaller banks.
- External Stakeholder interviews
  - We conducted interviews with 10 organisations, including Consumer Groups, AFCA, and ASIC. In this Report, we refer to these organisations as External Stakeholders. The purpose of these interviews was to understand External Stakeholder perceptions and expectations of the Customer Advocate function and this initiative, and their experience on how effective Customer Advocates are at helping customers and understanding customer perspectives.
- Customer interviews (see below)

## 2. Banks – interviews and document reviews

We conducted interviews with 57 people across the 17 banks. List of banks and role titles of interviewees are detailed below.

#	Bank	Job title
1	ANZ	Chief Executive Officer
		Customer Fairness Adviser
		Customer Advocate
		Group Executive, Australia
		Head of Operations, Australia
2	CBA	Deputy Chief Executive Officer
		Customer Advocate
		General Manager Strategy Corporate Affairs
		Executive General Manager, Regional and Agribusiness Banking
3	NAB	Chief Legal & Commercial Counsel
		Customer Advocate (Bank)
		Customer Advocate (Wealth)
		General Manager of Customer Resolution
		Program Director, Complaints
		Head of Customer Resolution
		Head of Corporate Responsibility and Financial Inclusion
		Head of Customer Advocate Office
		Manager of External Disputes Resolution
		Head of Customer Care
Methodology Manager		
4	Westpac	Chief Executive Officer
		Customer Advocate
		Group Executive, Customer & Corporate Relations
		Head of BT Complaints
		Manager Disputes Resolution, Insurance, Product and Underwriting
5	Bank of Queensland	Interim Chief Executive Officer
		Customer Advocate
		Case Manager – Customer Advocate Office
		Senior Manager Customer Relations
		Head of Retail Credit
		Senior Manager Customer Connect Experience

#	Bank	Job title
6	Bendigo & Adelaide Bank	Managing Director
		Customer Advocate
		Head of Card Issuing and Acquiring
		Head of Industry Affairs
7	Suncorp	Chief Executive Officer, Banking and Wealth
		Chief Risk Officer
		Executive General Manager, Group Customer Advocate
		Executive General Manager, Corporate Affairs
8	ING Bank	Chief Executive Officer
		Head Of Customer Experience & Service
		Customer Advocate
		Director, Operations
		Head of Contact Centre
9	AMP Bank	Group Executive, AMP Bank
		Customer Advocate
		Group Executive, Wealth Solutions and Chief Customer Officer
		Chief Risk Officer, AMP Bank
10	Arab Bank	Customer Advocate (and Chief Risk Officer)
11	Bank Australia	Customer Advocate (and Head of Corporate Affairs and Marketing)
12	Citi	Customer Advocate (and Head of Customer Experience & Advocacy)
13	HSBC	Customer Advocate (and Head Of Customer Value Management & Marketing)
14	Macquarie Bank	Executive Director, Group Integrity Officer and Customer Advocate
		Division Director (Customer Advocate Director)
15	ME Bank	Customer Advocate (and Head of Purpose)
16	MyState Bank	Customer Advocate (and Regulatory Change Project Manager)
17	Rabobank	Customer Advocate and (Values and Conduct Officer)

### 3. Interviews with External Stakeholders and Customers

We conducted interviews with 17 people across 10 External Stakeholder organisations, as described below.

#	External Stakeholder	Job title
1	Australian Financial Complaints Authority (AFCA)	Lead Ombudsman – Banking and Finance
2	Australian Securities and Investments Commission (ASIC)	Executive Director, Financial Services
		Group Senior Manager, Deposit Takers, Credit & Insurers
3	CHOICE	Director – Campaigns & Communications
4	Consumer Action Law Centre	Chief Executive Officer
5	Financial Counselling Australia	Chief Executive Officer
		Director of Policy and Campaigns
6	Financial Rights Legal Centre	Chief Executive Officer
		Principal Solicitor
7	Indigenous Consumer Assistance Network (ICAN)	Operations Manager
8	Legal Aid Queensland	Senior consumer protection lawyer
9	Senior Rights Service	Assistant principal solicitor
		Solicitor
		Solicitor
10	Westjustice	Chief Executive Officer
		Senior Lawyer
		Lawyer

#### Capturing the voice of the customer

Our scope of work did not include conducting an in-depth assessment of levels of customer awareness of the Customer Advocate roles, or assessing the customer experience or outcomes from dealings with Customer Advocates. Nevertheless, as part of our review we wanted to speak directly with customers who have interacted with the Customer Advocates, in order to understand their experience, and their expectations. Magnifying the voice of the customer is, after all, the core purpose for these roles and the overall initiative.

To this end, we asked a number of Customer Advocates and External Stakeholders if they were able to identify customers who would be willing to speak with us for this review. We sought to speak with customers who had a mix of positive experience, and customers with a potentially negative experience or view. We recognised that the sample of customers identified through this approach would not be a statistically representative or a particularly scientific approach.

The Customer Advocates and External Stakeholders alike found this request challenging, for a number of reasons. These included the fact that many customers had longstanding complaints that may have taken their toll on customers already, or the customers themselves suffered mental health concerns, making an interview potentially more distressing for them. In addition, noting that the roles are mostly relatively new, and the number of Customer Advocate referred complaints is not yet a particularly large pool, we needed matters that were somewhat recent so that the customer had a reasonable memory of their interactions with the Customer Advocate, and also that had been fully resolved. This narrowed further the potential customers available. Finally, there was the additional challenge of fully informed consents needing to be obtained in advance from customers to permit us to understand their complaint and speak with them openly about their matter, which again contracted this possible cohort.



In the end, five customers were identified from three banks and interviewed for this Report (two of these customers spoke to us about the same complaint). While we have included observations from these interviews as anecdotal and valuable insights, it is important to note that these views cannot be interpreted to represent a consensus, or statistically valid viewpoints.

Importantly, many of the External Stakeholders deal with Customer Advocates on behalf of customers, or liaise regularly with others who do. In the absence of a more systematic examination of customer views, both we, and most of the External Stakeholders we spoke to, felt that External Stakeholders were able to bring a strong customer perspective and voice to our review.

It is important to note that we had no sense from the banks or Customer Advocates that they were deliberately resisting our request to speak with customers, and that External Stakeholders equally found this request to be difficult to meet. On the contrary, a number of Customer Advocates went to great lengths to identify and contact customers for this purpose, for which we are appreciative.

Customers are at the heart of Customer Advocacy; for this reason the ABA should consider the feasibility and benefits of obtaining customer perspectives on awareness, experience, and outcomes from Customer Advocates in a future phase of work. This recommendation is captured in **Recommendation 5**.

# Appendix C: Recommendations

## Summary of recommendations

In this Report, we make **16** recommendations for consideration by the ABA and banks. The recommendations relate to five themes:

1. Raising awareness of the role
2. Improving communication to customers
3. Improving transparency, accountability and reporting
4. Formalising governance of the Customer Advocate role
5. Reviewing the ABA Guiding Principles

A summary of our recommendations appears below. The recommendations are numbered based on the order in which they appear in the body of the Report and the Appendices, but they have been grouped under the themes listed above.

No.	Topic	Recommendation	Context appears in
<b>Raising awareness of the role</b>			
<b>Recommendation 6</b>	<b>Communication – external awareness of the role and community engagement</b>	<p>The ABA should, in consultation with banks, Customer Advocates and a selection of External Stakeholders, consider how:</p> <ol style="list-style-type: none"> <li>1. To raise awareness across the Consumer Groups about the existence and roles of Customer Advocates, with a particular focus on ensuring that smaller organisations or financial counsellors are aware of how and when to access the Customer Advocates to assist their clients. Awareness-raising could include, for example: <ul style="list-style-type: none"> <li>– Updating the register on the ABA website so it contains Customer Advocates’ mandates, contact details, and when they can be contacted by External Stakeholders.</li> <li>– A specific and regular communication directed to Consumer Groups about Customer Advocates. This should cover their roles, their work, and where they can find more information to support bank customers.</li> </ul> </li> <li>2. Customer Advocates from all banks and a broader range of Consumer Groups can interact in a more structured and efficient way. The objectives of interactions could include, for example: <ul style="list-style-type: none"> <li>– To collectively share insights such as on emerging issues for customers.</li> <li>– To potentially work together on joint initiatives for vulnerable customers.</li> </ul> </li> </ol> <p>Banks will need to consider the impact on resourcing that could arise from this recommendation.</p>	Section 4 and Appendix A: 1.5

<b>Recommendation 9</b>	<b>Communication – internal awareness of the role</b>	Banks should consider developing an ongoing communications plan, refreshed on a regular basis, to promote internal awareness of the purpose of the Customer Advocate role, and make staff aware of how the Customer Advocate is making a difference for customers. This could be brought to life within the bank through case studies and story-telling. Consideration could be given to how the Customer Advocate can be part of, or contribute to, the internal narrative about culture, customer-centricity, and achieving fair customer outcomes.	Section 4 and Appendix A: 1.5
<b>Recommendation 10</b>	<b>Alignment of complaints escalation roles</b>	With respect to the complaints escalation element of Customer Advocates' roles, the ABA and the banks should consider whether customer and External Stakeholder understanding of, and access to, Customer Advocates could be enhanced through adopting common mandates, messages or escalation processes. Banks that choose not to adopt a common approach could disclose their approach on an 'if not, why not' basis to such stakeholders.	Section 4 and Appendix A: 1.5
<b>Improving communication to customers</b>			
<b>Recommendation 3</b>	<b>Use of the term 'independent'</b>	If banks or Customer Advocates use the term 'independent' in external communications about the role, they should consider whether this description is potentially confusing, and if needed, amend the description of the Customer Advocate's role.	Section 3
<b>Recommendation 8</b>	<b>Communication – IDR outcome letters and other correspondence</b>	<p>Banks should review current communications provided to customers about how to escalate their complaint to the Customer Advocate to check:</p> <ul style="list-style-type: none"> <li>• Whether it is clear to customers that they have the right to access both the Customer Advocate and EDR, and they retain the right to access EDR while the Customer Advocate considers their issue. Banks could consider the use of a simple decision diagram to make it easier for customers to understand their options.</li> <li>• Whether the communications clearly explain the role of the Customer Advocate, what support the customer can expect from them, and how and when to contact them.</li> <li>• How their correspondence with customers could be perceived by customers, including the use of role titles of staff who correspond with customers to ensure that these are not potentially confusing or threatening for customers (such as using the role title 'lawyer').</li> </ul> <p>This review should include communication on the escalation process provided at the end of the IDR process (for example IDR outcome template letters, or email templates), and also bank websites.</p>	Section 4 and Appendix A: 1.5
<b>Recommendation 12</b>	<b>Communication with customers</b>	If the Customer Advocate's communication with customers is currently limited to or is predominantly conducted in writing, Customer Advocates should consider what opportunities exist to speak to customers over the phone or face-to-face, in appropriate circumstances.	Appendix A: 1.2
<b>Recommendation 14</b>	<b>Communication – how to access the Customer Advocate</b>	Banks should review the information available on their websites and consider how they can enable customers to more easily identify the role of the Customer Advocate, and when and how customers can contact them.	Appendix A: 1.5

Improving transparency, accountability and reporting		
<b>Recommendation 5 Further review</b>	<p>A post-implementation review should be conducted in around 18-24 months. Some matters issues that could be considered include:</p> <ul style="list-style-type: none"> <li>• How, and whether it is feasible, to obtain customer perspectives on awareness of the Customer Advocate, and the experience and outcomes of customers who deal with them.</li> <li>• Conducting a review of individual complaint files to test that Customer Advocates are performing a sufficiently detailed review of escalated complaints, are approaching their review through a lens of fairness, and are conducting the review in such a way that they are surfacing potential systemic issues.</li> <li>• Testing the effectiveness of the feedback loop from the Customer Advocate function to the business, such as whether recommendations made by Customer Advocates have been implemented.</li> <li>• Whether issues or some poorer practices raised in this Report have been effectively addressed.</li> <li>• How the Customer Advocate roles continue to mature and evolve, and have a positive impact for customers.</li> </ul>	Section 3, Section 5 and Appendix B: 3
<b>Recommendation 7 Reporting – Externally</b>	<p>All banks/Customer Advocates should:</p> <ol style="list-style-type: none"> <li>1. Consider how Customer Advocates can more effectively provide information and transparency to External Stakeholders that they are engaging with on changes that they are influencing in the bank, including changes arising from proactive consultation with those External Stakeholders, as well as broader improvements in customer outcomes being made by the bank, in order to build and maintain trust.</li> <li>2. Report externally at least annually on the activities and outcomes of the Customer Advocate. Reporting might include: <ul style="list-style-type: none"> <li>– Details of initiatives in progress, pilots, and other activities underway or completed that provide an insight into how the Customer Advocate is helping drive better customer outcomes.</li> <li>– Information about the complaints reviewed by the Customer Advocate, and related outcomes.</li> <li>– Case studies or stories of how Customer Advocates have helped to deliver fair outcomes for customers.</li> </ul> </li> </ol>	Section 4 and Appendix A: 1.5
<b>Recommendation 15 Systemic issues</b>	<p>Where the Customer Advocate has identified a genuine systemic issue, and the issue is accepted by the business as problematic, banks should ensure that the issue is addressed in their formal incident or issue management process, including the allocation of clear ownership and proactive oversight of its resolution at senior levels.</p>	Appendix A: 2.2

### Formalising governance of the Customer Advocate role

<b>Recommendation 1</b>	<b>Role design and resourcing</b>	<p>Since the Customer Advocate role will mature and change over time, and each bank's needs will also evolve, banks should consider the following:</p> <ul style="list-style-type: none"> <li>• If their Customer Advocates focus predominantly on complaints reviews, whether their role should be expanded to focus on identifying systemic issues, and preventing future problems for customers.</li> <li>• Periodically review: <ul style="list-style-type: none"> <li>– Their Customer Advocate roles, to both test whether they are fully utilising the role, consider new responsibilities, and ensure their delegations are sufficient; and</li> <li>– Whether the Customer Advocate has appropriate resourcing to meet their mandate.</li> </ul> </li> </ul>	Section 3 and Appendix A: 1.2
<b>Recommendation 2</b>	<b>Regular access to CEO, senior executives and/or Board</b>	<p>Senior executives and Boards should actively consider whether they have sufficient engagement with the Customer Advocate, and whether their actions demonstrate their ongoing support for the role and the work that the Customer Advocate is doing. Customer Advocates should ideally report to, and interact with, the Board and senior executives on a regular basis.</p>	Section 3 and Appendix A: 1.2
<b>Recommendation 11</b>	<b>Documenting the Customer Advocate's purpose, roles and responsibilities</b>	<p>Banks that have not yet done so should document the purpose, roles, and responsibilities of the Customer Advocate such as in a terms of reference, charter or equivalent document. This could include:</p> <ul style="list-style-type: none"> <li>• The purpose of the Customer Advocate role, including which customers are in scope to access the Customer Advocate.</li> <li>• The mandate of the role (and what is out of scope).</li> <li>• Decision-making authority including levels of delegated authority (if applicable).</li> <li>• Structure and reporting lines.</li> <li>• Reporting from the Customer Advocate within the organisation, such as to the CEO, senior executives and the Board.</li> <li>• How the Customer Advocate will carry out the role.</li> <li>• Other relevant information that enables the Customer Advocate to execute their role. For example, structures or processes that support the independence of the role from the business.</li> </ul> <p>The document should ideally be approved by relevant senior executives and, as the role evolves, should be updated to reflect changes.</p>	Appendix A: 1.1
<b>Recommendation 13</b>	<b>Conflicts of interest</b>	<p>Banks and Customer Advocates should consider on a regular basis whether there are potential conflicts of interest for the Customer Advocate that arise from the model, responsibilities or other factors. If there are actual or potential conflicts of interest, the impact of these should be actively considered on a regular basis and, if appropriate, changes should be made or processes put in place to effectively address the issue. There should be a periodic review of the effectiveness of any such processes and controls.</p>	Appendix A: 1.4

Reviewing the ABA Guiding Principles			
<b>Recommendation 4</b>	<b>Assessing effectiveness</b>	The ABA should consider whether the reference in Guiding Principle 7.2 on designing and implementing mechanisms to measure the Customer Advocate role is appropriate given the nature of the roles, and whether the description of assessment of the roles should be re-worded. For example, it could focus on assessing the Customer Advocate's impact in light of how the bank has set up the role, and the delivery against agreed plans such as of specific initiatives or reviews.	Section 3
<b>Recommendation 16</b>	<b>Review of Guiding Principles</b>	<p>The ABA should consider reviewing the Guiding Principles as outlined below, and elsewhere in this Report, including:</p> <ul style="list-style-type: none"> <li>Aligning the Guiding Principles related to the purpose, roles and responsibilities of the Customer Advocate to the Statement of Guiding Principles in the Banking Code of Practice, in particular, objectives related to fairness and customer outcomes.</li> <li>Streamlining them to remove overlap and clarify the difference between elements of the role that are expected, and those that are left to the discretion of the individual bank.</li> <li>Considering whether references to 'measurement' of the Customer Advocate should be changed in light of Recommendation 4.</li> </ul>	Appendix A: 4



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