

## Guiding Principles – Customer Advocate

Australia's banks are putting in place comprehensive new measures to protect customer interests, increase transparency and accountability and build trust and confidence in banks.

Member banks have committed to introducing a Customer Advocate within each bank to help them handle complaints better, improve customer experience and minimise the likelihood of future problems.

The appointment of a Customer Advocate is an important initiative and opportunity to make it easier for customers when things go wrong and reach fairer customer outcomes.

The following principles guide banks on how a Customer Advocate can be implemented within their bank.

### 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.**

- 1.1 The Customer Advocate's purpose should be clearly defined and consistent with making it easier for customers when things go wrong.
- 1.2 Banks may design the role differently, considering their specific needs, current arrangements and aspirations, as well as customer and community expectations. Therefore, the design of the Customer Advocate role should fit with the business model of individual banks.
- 1.3 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.
- 1.4 The Customer Advocate should as a minimum cover retail and small business customers. Banks should detail how the Customer Advocate will help to achieve the stated purpose for their retail and small business customers and other stakeholders.
- 1.5 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 by ensuring these internal processes are easy to use and efficient for customers and reach fair customer outcomes.

### 2. Role 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.**

- 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.



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2.2 The Customer Advocate should:

- a) Have some form of direct contact with customers in order to hear their voice and represent their interests, including engagement with customer representatives.
- b) Be effectively resourced to ensure it can carry out its role, function, and responsibilities.
- c) 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.
- d) Have decision-making authority commensurate with the span of their role, function and responsibilities, to support timely and meaningful customer outcomes.

2.3 Responsibilities could include for example:

- a) 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.
- b) Providing another internal avenue from complaints handling decisions, providing guidance to complaints handling teams, or acting as an internal escalation point for difficult issues.
- c) Improving the system for resolving complaints and streamlining disputes.
- d) Identifying systemic issues or problems with complaints or complaint outcomes, such as enhancing complaint handling capability, promoting continuous operational improvement, and improving fairness, transparency, speed of resolution and ease of use for customers.
- e) Recommendations for implementing, overseeing and reviewing remediation processes.
- f) Providing referrals to other support services, including financial counselling services, community legal centres, and mental health services.

2.4 It is not the role of the Customer Advocate to require the customer to engage with them or to discourage a customer in any way from proceeding to external dispute resolution. Any engagement with a Customer Advocate should not put customers in a worse position by lengthening, replacing or substituting internal complaints handling processes.

2.5 The Customer Advocate should have the ability to determine the extent they work with the customer and the complaint handling and case management functions in order to help resolve these matters more easily. In such cases, the Customer Advocate will need the right support, including access to expertise and advice. For example, banks should consider having a Customer Advocate charter or service level agreement which details the scope of the Customer Advocate's role, function and responsibilities, including the matters in which the Customer Advocate may be directly involved.

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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Assistance could include for example:

- a) Direct or indirect assistance when navigating the complaints handling process.
- b) Referral or consultation by the complaints handling team from vulnerable customers.
- c) Ownership of the bank's response and processes for specific groups of vulnerable customers (such as, customers who are experiencing financial abuse).
- d) Provide recommendations on, and assist with, the development of policies or protocols for dealing with vulnerable or disadvantaged customers.
- e) Proactively identifying which customers are more likely to be vulnerable or potentially disadvantaged, such as using historical or statistical information, and applying higher standards of care to those specific groups.

- 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 that impacts customers. This could include shaping or overseeing remediation programs, influencing product development and distribution processes, or engaging in preventive risk management initiatives.

### 3. Customers and businesses

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

- 3.1 The minimum scope of the Customer Advocate includes:
- a) Retail and small business customers.
  - b) 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.

### 4. Advocacy

**The Customer Advocate's role provides a customer "voice" in the organisation.**

- 4.1 Banks should consider the unique nature of the role of a Customer Advocate in the design of the responsibilities, function, structure and powers or delegations of the role.
- 4.2 The Customer Advocate should:
- a) Provide the customer a "voice" in the organisation.
  - b) Promote fair and reasonable outcomes for the customer.
  - c) Assist the bank to better understand the customer's perspective, and the impact of decisions on customers.
  - d) Engage with customer representatives, including consumer advocates, legal aid officers, community legal centres and financial counsellors.
  - e) Recommend opportunities to make a positive difference to customers in broader initiatives, processes, issues and remediation.



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## 5. 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.**

- 5.1 The Customer Advocate's separation should be actively endorsed and supported by management.
- 5.2 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.
  - b) *Scale and complexity of the business*: in some situations, the requirements of customers and the nature, size and business structure of the bank may limit the ability for the Customer Advocate to be a dedicated role. For example:
    - Smaller banks with low numbers of customer complaints may identify that an existing resource is able to dedicate time to fulfilling the role and meeting the best interests of their customers. For example, a smaller bank may decide a resource with dedicated time but not available on a full-time basis or alternatively a part-time resource as the Customer Advocate would provide the best service for their customers.
    - Smaller banks may decide to streamline and amalgamate the Customer Advocate with external dispute resolution assistance or customer engagement functions to improve problem resolution and better management of systemic issues for their customers.

It will be important to balance the needs of customers with the scale and complexity of the business and the organisational structure. If banks choose to implement this way, it should not undermine the intent of these Guiding Principles. Smaller banks should ensure they monitor the impact for their customers.
  - c) *Perception*: ensure customers, and internal and external stakeholders can trust in the role of the Customer Advocate.
  - d) *Objectivity*: the Customer Advocate must be fair, balanced, and act with the utmost integrity when making decisions or taking action.
  - e) How to manage any perceived or actual conflicts of interest.
- 5.3 Banks should also consider how their Customer Advocate can get access to external or internal feedback and advice to use as a sounding board and for getting feedback on emerging consumer issues.

## 6. Communication

**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.**

### 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.
- 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.
- 6.4 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.
- 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. In addition, banks could consider additional disclosures, including on the bank's website, Customer Advocate charter, or a combination.
- 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.

## 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.
- 6.8 The Customer Advocate should liaise with key internal stakeholders so they understand the role is an adjunct to existing processes and avenues for customer support, and not a substitute for them, and that the role is focused on achieving the core objective set out in section 2 of these guiding principles.

## 7. 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.**

- 7.1 Banks should have in place processes to monitor the performance of the Customer Advocate in making things easier for customers.
- 7.2 Banks will need to design and implement internal mechanisms to measure the effectiveness of the Customer Advocate.
- 7.3 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.
- 7.4 Banks should consider how they make sure, and to what extent, the changes identified and recommended by the Customer Advocate are implemented.
- 7.5 Given this is a new commitment by the banking industry, a post-implementation review will be conducted 18 months following completion of implementation and no later than 31 December 2018.