

Article Information

Authors: Andrea Beatty, Chelsea Payne

Service: Banking & Finance

Sector: Financial Services

ASIC ensures licensees meet their AFCA membership obligations

ASIC consults on new IDR processes

On 1 November 2018, Australian Financial Complaints Authority (AFCA) was formed and replaced the Financial Ombudsman Service, Credit and Investments Ombudsman and Superannuation Complaints Tribunal. All financial services licensees and credit licensees were required to obtain an AFCA membership as part of their general conduct obligations.

On 12 July 2019, AFCA advised ASIC that 58 financial services licensees and 217 credit licensees had not obtained an AFCA membership. Although these licensees previously held external dispute resolution memberships with previous schemes, as they had not obtained an AFCA membership they may be found in breach of their licence conduct obligations. As a result of ASIC's intervention, of these potentially non-compliant financial and credit licensees:

- 50 financial services licensees subsequently obtained AFCA membership;
- 4 financial services licensees voluntarily cancelled their licences;
- 4 financial services licences were cancelled or suspended by ASIC;
- 131 credit licensees subsequently obtained AFCA membership;
- 38 credit licensees voluntarily cancelled their licences; and
- 48 credit licences were cancelled or suspended by ASIC.^[1]

ASIC's intervention aims to protect consumers by ensuring they have access to an external dispute resolution service, in accordance with their licensees' obligations. If entities fail to comply, ASIC will take formal action to cancel or suspend their licences.^[2]

^[1] ASIC, '19-182MR ASIC ensures licensees meet their AFCA membership obligations', media release, 12 July 2019, <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2019-releases/19-182mr-asic-ensures-licensees-meet-their-afca-membership-obligations/>.

^[2] Ibid.