



25/01/2017

EDR Review Secretariat
Financial System Division
Markets Group
The Treasury
Langton Crescent
PARKES ACT 2600

By email: EDRreview@treasury.gov.au

Dear Panel

RE: INTERIM REPORT OF THE FINANCIAL SYSTEM EXTERNAL DISPUTE RESOLUTION AND COMPLAINTS FRAMEWORK

We refer to the interim report of the Financial System External Dispute Resolutions and complaints framework delivered on 6 December 2016 (the "Interim Report").

The CLH Group comprising of Collection House Limited, Lion Finance Pty Ltd, Midstate CreditCollect Pty Ltd, ThinkMe Finance Pty Ltd and other subsidiaries collectively hold four (4) individual EDR Memberships, two with the Financial Ombudsman Services (FOS) and two with Credit Investments Ombudsman (CIO). One of our subsidiaries elected to move from one service to the other and this we believe puts us in a unique position when responding to the Interim Report.

Collection House Limited – EDR provider, FOS - Australia's leading end-to-end receivables management company. We provide solutions to organisations and individuals that span the entire credit management lifecycle and beyond. We enjoy strong business relationships with major Australian and international banks, financial institutions, large corporations, local Councils, public utilities, SMEs, and Government agencies.

Lion Finance Pty Ltd – EDR provider, CIO (formerly FOS) - As one of the leading debt purchasers in the Australian market, our dedicated subsidiary Lion Finance Pty Ltd specialises in forward flow and one-off debt book purchases. The debt purchases range across all sectors including (but not limited to) the banking and finance sector (personal banking, motor finance, fixed loans and credit cards), telecommunications and the energy sector.

Midstate CreditCollect Pty Ltd – EDR provider, FOS – one of Australia's leading suppliers of case sensitive debt collection services and solutions. MCC specialises in three distinct industry segments: Local Government & Water Authorities, Commercial and Consumer

ThinkMe Finance Pty Ltd – EDR provider, CIO - Through our subsidiary ThinkMe Finance, the Group is able to provide customers with an alternative route to refinancing their debts in order to improve their financial situation. ThinkMe Finance is a broker that acts as an intermediary to review a customers' capability to refinance a debt and take them through the application and approval process.

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The service enables customers to access finance that may not have been available to them through mainstream lenders. Through re-establishing a sound repayment history and demonstrating financial serviceability, through ThinkMe Finance we are able to assist customers achieve their goals as well as meeting their obligations. Ultimately, the aim is to see these customers financially rehabilitated with an improving credit rating and history.

The CLH Group is member of the Australian Collectors & Debt Buyers Association and supports any response to the Interim Report delivered by its Association. Notwithstanding our support, the CLH Group takes this opportunity to provide its own response to the Recommendations delivered in the Interim Report.

We note that our response will be limited to our interaction with FOS and CIO as we do not operate within the insurance industry.

The CLH Group proposes to respond as follows to the Recommendations:

- Recommendation 1 – responding
- Recommendation 2 – we agree with the recommendation
- Recommendation 3 – we agree with the recommendation
- Recommendation 4 – we agree with the recommendation
- Recommendation 5 – no direct commentary, but generally agree with the recommendation to assist industry unification
- Recommendation 6 – responding
- Recommendation 7 – we agree with the recommendation
- Recommendation 8 – we agree with the recommendation
- Recommendation 9 – generally agree with recommendation
- Recommendation 10 – no comment
- Recommendation 11 - we agree with the recommendation
- Observation – no comment

Recommendation 1:

In relation to the Panel's findings of the current framework, we have noted that these issues could have been averted had the current Regulator, Australian Securities and Investments Commission (ASIC) imposed an overarching framework for EDR providers including a single set of definitions, processes, terms of reference and provided clear jurisdiction limitations in which the EDR providers for Australian Credit Licensees and Australian Financial Service Licensees can operate when providing these services. For example, ASIC when authorising an EDR provider could limit or restrict the provision of EDR services within areas of service i.e. General and Life insurances together with financial advice disputes to SCT or to the proposed ombudsman scheme for superannuation disputes.



While an overarching framework will not completely eliminate customer confusion as to which EDR provider should consider the complaint, we note that the proposed Recommendation in the Interim Report will not resolve this issue completely either. This assertion is based on the fact that the current operating environment for EDR providers remains subjective such that different definitions can be adopted by the EDR provider so as to include complaints within its boundaries.

We assert that customer confusion can be substantially reduced where the operating environment for the EDR providers has an overarching framework that has clear and defined with definitions, terms of reference, jurisdictional limitations, and processes.

We suggest that the Panel findings are reflective of the current operating environment and note the recommendation of reducing the two EDR providers may still result in the same findings.

While we note the Panel's view on competition, we are not convinced that the proposed recommendation of a single EDR provider will not develop into the traditional monopolistic provider.

If we were to consider the effect of resolving the operating environment, the existing EDR providers would then have to focus on becoming more responsive and innovative to attract and maintain its client base. We suspect that imposing an overarching framework for EDR providers would also resolve other areas of concern raised by the Panel, such as accountability, independence, fairness, transparency, comparability of outcomes and regulatory governance and regulatory costs.

Recommendation 6:

Given our response to Recommendation 1, which identified that the Panel's findings are reflective of the current operating environment, and that an overarching framework should be imposed by ASIC to provide clear and defined with definitions, terms of reference, jurisdictional limitations, and processes for EDR providers, we predominantly agree with the Recommendation. However, we believe that this Recommendation should, with the assistance of the existing schemes and public consultation, create the definitions, terms of reference, jurisdictional limitations, and processes in which each EDR scheme is to operate.

We take this opportunity to thank the Panel for its Interim Report and the consultation process.

Should the Panel, wish to make any enquiries in relation to our response, please contact the writer on 07 3100 1254 or by email corporatecounseldivision@collectionhouse.com.au

Yours faithfully

Collection House Group

**JUSTIN O'FLAHERTY
CORPORATE COUNSEL**