

# BANKING CODE COMPLIANCE MONITORING COMMITTEE

REPORT:

## Improving banks' compliance with direct debit cancellation obligations

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OCTOBER 2017

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# Executive summary

The Code of Banking Practice (the Code) gives consumers the right to request that their bank cancel a direct debit. This is an important safeguard that helps consumers – especially those in financial difficulty – to maintain control of their finances.

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Despite the importance of this consumer right and banks' corresponding obligations, non-compliance with the Code's direct debit requirements has been common and, most importantly, remains ongoing.

The Banking Code Compliance Monitoring Committee (CCMC) first highlighted these issues in 2008, with mystery shopping research that found that in 80% of contacts, bank staff were providing incorrect and non-compliant advice to customers enquiring about cancelling a direct debit. Follow-up research in 2010 and 2011 revealed that compliance had improved only slightly, with advice provided by bank staff still non-compliant in around two-thirds of cases.

More recently, banks have self-reported a growing number of breaches of the Code's direct debit cancellation obligations, while an increase in code breach allegations by financial counsellors on behalf of consumers has also pointed to ongoing compliance issues.

## Assessing current compliance

In light of these trends, the CCMC decided to conduct new follow-up research, including further mystery shopping and a review of banks' websites.

The results show that despite some improvement, across the industry, non-compliance is still unacceptably high. In just over half (54%) of the CCMC's mystery shopping contacts, bank staff gave non-compliant responses to a customer enquiry. As in 2008, contact centre staff remain more likely to offer compliant information than their counterparts in branches.

Consumers who turn to bank websites to seek information on direct debit cancellation are also unlikely to find it. The CCMC's review of bank websites found that where such information is provided, it is typically offered only within product Terms and Conditions. Only a few banks provide simple guidance that is easy to locate.

## Improving compliance

The CCMC's previous inquiry recommendations were only partially implemented by banks and there does not appear to have been a significant or lasting improvement in Code compliance.

The CCMC now wants to see a permanent fix. Having consulted with banks, the CCMC has made fresh recommendations to support better practice. The CCMC will also revise and intensify its compliance monitoring and reporting on the direct debit obligations.

### **Recommendation 1**

**Add clear, simple customer guidance on direct debit cancellation to websites.**

This guidance should:

- be easy to find on FAQ pages or using basic search terms, and
- explain the difference between direct debits which have been set up using a BSB and Account Number, and recurring card payments set up via a Credit or Debit Card.

### **Recommendation 2**

**Explore and implement ways to allow customers to cancel direct debits through their existing online banking services.**

### **Recommendation 3**

**Ensure that all frontline staff are aware of the direct debit Code obligations** by:

- providing Code-related and operational training programs to both new and existing staff
- providing easily-accessible quick reference guides and cancellation forms
- sharing the CCMC's reports and findings
- updating and reminding staff through newsletters, emails, intranet news items or team meetings.

Staff should be reminded of the bank's obligations at least once a year.

### **Recommendation 4**

**Via training, increase staff awareness of the impact of providing incorrect information,** especially for customers in financial difficulty.

### **Recommendation 5**

**Conduct internal mystery shopping annually,** reporting the outcomes to the CCMC.

### **Recommendation 6**

**Remind monitoring and quality assurance staff of the Code obligations to ensure that they can identify non-compliance.** Any non-compliance identified should be raised with the staff concerned and reported to the CCMC.

### **Recommendation 7**

**With the ABA's support, continue to work with card schemes to develop functionality that allows customers to cancel recurring card payments via their bank, free of charge.**

The CCMC considers that all code-subscribing banks should aim to have such arrangements in place by the time they have transitioned to the new Code.

# 1 Background

Each month across Australia, the banking industry processes more than 50 million direct debit transactions. Customers sometimes choose to cancel these direct debit arrangements, and under the Code, banks are **required** to accept and process these cancellation requests.

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## An important safeguard

For consumers, the ability to cancel a direct debit via their bank is an important right that gives them control over their finances. When a bank fails to accept or process a cancellation request, the losses to customers can include:

*overdrawing an account, causing additional fees and charges to be imposed by both the bank and the merchant; transactions being dishonoured, which can also result in fees and leave consumers at risk of other collection measures; or loss of funds, which may have needed to be prioritised for other purposes.<sup>1</sup>*

For consumers in financial hardship, particularly, the negative impact of these losses is sometimes substantial. Similarly, cancelling direct debits can be a crucial assistance strategy that allows such consumers to prioritise basic living expenses, such as rent and food.<sup>2</sup>

### What is a direct debit?

By setting up a **direct debit**, a customer allows a merchant or service provider to withdraw money from the customer's transaction account into a merchant account at set times – for example, to pay bills or make repayments. These debits are processed through the Bulk Electronic Clearing System, a framework administered by the Australian Payments Clearing Association.

Many customers – and perhaps some bank staff – are not aware that under the Code, **direct debits** are different from **recurring credit or debit card payments**. The direct debit obligations in the Code apply only to payments set up using a BSB and account number, and not to those that use the customer's 16-digit credit or debit card number.

The Code recognises and safeguards this right by requiring banks to accept and promptly process a customer's request to cancel a direct debit. Banks are explicitly barred from directing or suggesting that the customer instead approach the merchant to cancel the direct debit. It may be impractical or not possible for the customer to address the issue with the merchant, who may even be debiting charges that were not disclosed or agreed to. However, the bank can suggest to the customer that they also contact the merchant. Banks must also promptly process customer complaints about any unauthorised or irregular direct debits.

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<sup>1</sup> Care Inc, CHOICE, Consumer Credit Law Centre South Australia, Consumer Credit Legal Service (WA) Inc et al 2016, 'Joint Consumer Representative Submission to the Australian Bankers Association Inc Independent Review of the Code of Banking Practice', p. 63.

<sup>2</sup> *Ibid.*

Many customers do not know that banks are obliged to cancel a direct debit upon request, and so banks themselves have an important role in making customers aware of this important right. As such, it is crucial that bank branches and contact centres – being the first point of contact for many customers – provide accurate information when customers enquire about cancelling a direct debit.

### The Code obligations

21.1. *We [the bank] will take and promptly process your:*

- *instruction to cancel a direct debit request relevant to a banking service we provide to you; and*
- *complaint that a direct debit was unauthorised or otherwise irregular.*

21.2. *We will not direct or suggest that you should first raise any such request or complaint directly with the debit user (but we may suggest that you also contact the debit user).*

In its Guidance Note on direct debits, the CCMC has stated that it considers these direct debit obligations to be straightforward, and that it will apply them strictly.

### A history of compliance issues

Seven banks were able to provide the CCMC with data about the number of direct debit cancellation requests received on average each month - collectively more than 15,500. The CCMC considers that the actual number received across the industry is significantly greater because:

- Five banks were unable to provide data, including one major bank.
- This figure does not take into account the number of direct debits that are cancelled by the merchant where the customer has been advised to contact them first and therefore would not have been recorded as a direct debit cancellation request by the bank.

While cancellations are low relative to the volume of direct debits, with tens of thousands of cancellation requests made each year, even a low non-compliance rate impacts many customers.

Banks report that together they receive more than 300 complaints per year about failure to cancel a direct debit upon request. Some banks have suggested that this low complaint volume shows that non-compliance is not a significant problem.

**It is the CCMC's view, however, that many customers given incorrect information about direct debit cancellations are likely to trust that it is correct, making subsequent complaints unlikely. One major bank has explicitly expressed a similar view.**

Indeed, more proactive monitoring has revealed a high level of non-compliance with the Code's direct debit obligations. In 2008, the CCMC's first inquiry into the issue found that while banks had documented policies and procedures regarding direct debits, incorrect or inadequate direct debit cancellation information was given in eight out of ten mystery shopping conversations.<sup>3</sup>

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<sup>3</sup> Code Compliance Monitoring Committee 2009, *Direct debits: a review into the operation of clause 19 of the Code of Banking Practice*, Code Compliance Monitoring Committee, p. 13.

In 2010 and 2011, the CCMC followed up on this initial inquiry with second and third rounds of mystery shopping exercises, this time targeted solely at call centres. The aim was to assess whether banks had improved their information provision and compliance. Disappointingly, however, the findings suggested that compliance had improved only marginally: compliant advice was provided in just one-third (33% and 36%) of calls.<sup>4</sup> The CCMC made recommendations for improved staff training, communication and awareness, customer information resources and internal compliance monitoring.

### Evidence of ongoing non-compliance

More recently, continuing anecdotal reports suggest that these problems have yet to be resolved. Reporting the findings of his 2016–17 review of the Code, Phil Khoury noted that financial counsellors continue to find that banks refer clients to their merchant to cancel direct debits. In Code review submissions, consumer groups observed that non-compliance with the Code obligations persists, causing customers inconvenience and expense.

These anecdotal reports are reinforced by the CCMC's monitoring, which indicates that non-compliance remains a significant problem. As part of the Annual Compliance Statement (ACS), the CCMC's key ongoing monitoring activity, banks self-report on breaches of their direct debit obligations. Since 2011, self-reported breaches of direct debit obligations have increased both in number and as a proportion of total breaches. In 2015–16, banks reported a total of 136 direct debit breaches – an increase of 48% from 92 such breaches the previous year. At the time of the CCMC's last mystery shopping research, in 2010–11, the 16 direct debit breaches made up just 0.6% of total breaches. By 2015–16, this proportion had increased to 1.7%.

Furthermore, the CCMC has recently received an increase in code breach allegations about direct debit cancellation. In the last quarter of 2016–17, the CCMC received five such allegations, most of these from financial counsellors on behalf of clients. These allegations are considered on page 10.

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<sup>4</sup> Code Compliance Monitoring Committee 2012, *Direct debits inquiry follow up report*, Code Compliance Monitoring Committee, p. 5.

## 2 Assessing current compliance

In light of the evidence of ongoing compliance issues, the CCMC decided to systematically investigate current practice with a follow-up to its earlier research. Through mystery shopping, a website review and analysis of code breach allegations, the CCMC assessed whether compliance had improved since previous mystery shopping exercises.

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### Mystery shopping

The central component of the research was a small-scale mystery shopping exercise that encompassed 15 bank brands representing 12 banking groups.<sup>5</sup> The CCMC made calls to bank contact centres and visited bank branches in and around Melbourne. The visitor or caller stated that they were enquiring on behalf of another person about whether they could cancel a direct debit with a merchant, such as a gym. Staff responses were noted and assessed for compliance with the Code.

#### Mystery shopping compliance criteria

A response was considered **compliant** where the staff member:

- stated that the bank could cancel the direct debit, and
- did not suggest that the customer contact the merchant first.

Conversely, in a **non-compliant** response the staff member stated that:

- the bank could not cancel the direct debit
- the direct debit could only be cancelled with the merchant, or
- the cancellation should be lodged with the merchant first, with the customer returning to the bank if there was a problem.

Compliant advice was given in just under half (46%) of all mystery shopping contacts. Of the remaining non-compliant contacts, around half (54%) involved staff telling the mystery shopper that they should contact the merchant first, or that this would be easier. For the remaining 46% of non-compliant contacts, the staff member stated that the bank could not cancel the direct debit, and that the customer should contact the merchant instead. These mystery shopping results indicate an industry-wide issue, with only one bank achieving compliance across all contacts.

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<sup>5</sup> One of the Code-subscribing banking groups was not included in the mystery shopping because the direct debit obligations only apply to a small part of the banking services it offers and because the nature of its services made mystery shopping impractical.



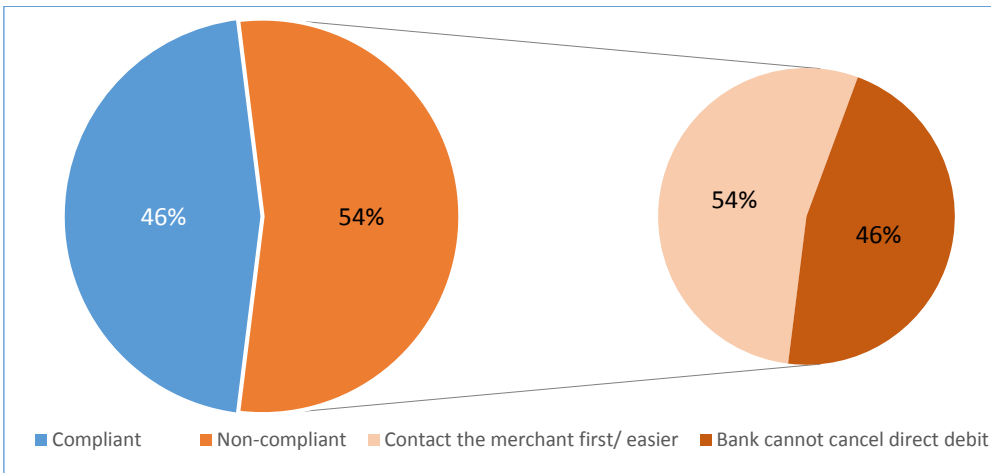


Figure 1. Mystery shopping compliance, 2017

### Call centre vs branch compliance

Echoing findings from 2008, the CCMC found that contact centre staff were more likely to offer compliant information in response to the mystery shopping enquiry. The difference was quite marked: 57% of contact centre contacts were assessed as compliant, around double the compliance rate for branch contacts (28%).

There were also differences in the nature of the non-compliance between contact centres and branches. Contact centre staff were more likely to suggest that the customer contact the merchant first, or to advise that this was easier. In branches, however, staff more commonly stated that the bank **could not** cancel the direct debit, directing the customer to contact the merchant instead.

While there is no data to explain these differences, they may reflect:

- the use of call recording and monitoring in contact centres
- the greater ease of looking up information for call centre staff, and/or
- inadequacies of training for branch staff (see page 13).

### Compliance trends

Mystery shopping results have shown improvement since the CCMC's first exercise in 2008, when just 20% of contacts were compliant. By 2017, the compliance rate had more than doubled, reaching 46%.

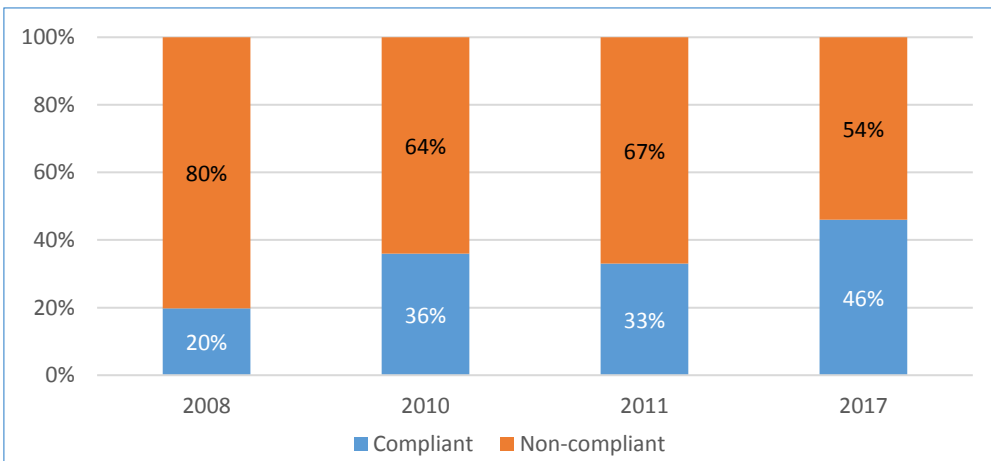


Figure 2. Mystery shopping compliance, 2008 to 2017

This improvement can be partly attributed to the make-up of the mystery shopping sample. In 2008, 23% of mystery shopping contacts were to contact centres, while in 2017, contact centres accounted for 62% of contacts. Since contact centre compliance is higher, this goes some way to explaining the improvement between 2008 and 2017. Even so, compliance improved in both categories: from 29% to 57% for contact centres, and from 17% to 28% for branches.

While the CCMC welcomes this trend, it remains disappointed that more progress has not been made. In the CCMC's view, 54% non-compliance is unacceptably high, particularly after years of attention to this issue.

## Website review

Rather than seeking advice from a branch or contact centre, some customers will turn to their bank's website for information about cancelling a direct debit. Although it is not a Code obligation, the CCMC considers that it is best practice for banks to provide online information about direct debit cancellations that is easy for customers to find, understand and use.

The CCMC therefore reviewed the same 15 banks' websites to assess the information they provide about cancelling a direct debit. To find this information, the CCMC browsed the website, reviewed any FAQ pages and conducted keyword searches for 'cancel direct debit' and 'stop direct debit'.

Disappointingly, this review of banks' websites found that information about direct debit cancellation is typically hard to find: on nine websites, information was limited to required disclosures within product terms and conditions; and two banks offered a standalone direct debit cancellation form.

Another bank provided additional guidance, but indicated that customers should contact the merchant first about cancelling a direct debit. The CCMC communicated its concerns about this non-compliant information, which the bank has since corrected.

However, there were some examples of good practice. Two banks provided additional guidance on a webpage or as part of FAQ. This information was Code compliant and informed customers how to request a direct debit cancellation.

## Review of code breach allegations

As part of its compliance monitoring work, the CCMC receives and determines allegations from consumers that a bank has breached the Code. In 2016–17, the CCMC received six code breach allegations about direct debit cancellation – an unusually high number. The first of these allegations, received in November 2016, was referred by the FOS Lead Ombudsman for Banking and Finance. The allegation concerned the 'Disclaimer' section of a bank's direct debit cancellation form, which implied that the bank would not assist a customer to process a direct debit cancellation. The bank acknowledged and corrected the wording, which it clarified had not been reflected in the bank's practice.

The remaining five allegations were all made by financial counsellors during the final quarter of 2016–17. The allegations concerned three banks: one bank with three breach allegations, another with two allegations and a third with a single allegation. In four of the five cases, the financial counsellor alleged that the bank gave non-compliant advice to a customer seeking to cancel a direct debit – most

often in a branch, but also via phone or email. Another case concerned a bank's apparent failure to cancel a direct debit when requested by the customer.

### **Case study: Code breach allegation**

Anita was in financial difficulty and wanted to cancel some direct debits being made by a credit provider. When she visited a branch to ask for the direct debits to be cancelled, staff told her that she would first need to sign a statutory declaration saying that she had contacted her credit provider.

On Anita's behalf, Mark, a financial counsellor, raised a complaint with the bank and cancelled the direct debits via a different branch. Mark also contacted the CCMC alleging that the bank had breached its Code obligations. The CCMC advised the bank of the Code breach allegation.

On the same day – and more than two months after the initial cancellation request and subsequent complaint – the branch manager wrote to Mark saying that it could not fully stop the direct debit, and telling him to cancel the debit with the debit user. The letter did not tell Mark that he could take the complaint to the Financial Ombudsman Service (FOS) or provide FOS's contact details.

Mark immediately told the CCMC about the bank's response, and the CCMC contacted the bank to ask that Anita's situation be addressed. A week later, the branch manager wrote to Mark again, acknowledging that the direct debits could be cancelled. While waiting for a response another branch was able to assist Anita and successfully cancelled her direct debit.

#### **Outcome**

The bank acknowledged that it had breached the Code by failing to:

- act on Anita's cancellation request
- provide a final response to Mark's complaint within 45 days
- tell Mark about his right to go to FOS.

With the aim of preventing future breaches, the bank held a team meeting reminding staff at the branch of the direct debit cancellation policy and procedures and the bank's Code obligations. The bank gave feedback to the entire branch on its Code obligations concerning complaints, and the manager who had responded to Mark's complaint attended refresher training on internal dispute resolution.

These code breach allegations offer additional real-world examples of apparent non-compliance with the Code's direct debit obligations. They illustrate the impact of non-compliance on customers and, as in the case study above, how these impacts can be compounded by poor internal dispute resolution processes. These cases support the mystery shopping finding that non-compliant information is emanating from both contact centres and branches, as well as via email.

Rather than investigate the allegations on an individual basis, the banks were asked to consider these matters when providing their overall response to the CCMC's research. This aligns with the risk based approach to investigating Code breach allegations the CCMC adopted as part of its 2017–20 Workplan<sup>6</sup>, which was developed in response to the 2016–17 review of the CCMC.

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<sup>6</sup> Code Compliance Monitoring Committee July 2017, <http://www.ccmc.org.au/2017/07/04/ccmc-workplan-2017-20/>

## 3 Improving compliance

Poor compliance with the Code's direct debit obligations has been on the agenda for quite some time: it is almost a decade since the CCMC published the poor results of its first mystery shopping exercise. Despite the CCMC's earlier recommendations and banks' efforts to address the issue, results of the CCMC's follow-up research reveal that progress has been limited. The CCMC is now eager to see real and sustained improvement.

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### Action to date

Following its previous research in 2010 and 2011, the CCMC recommended that banks adopt strategies to improve compliance, including:

- **addressing staff knowledge and skill gaps with immediate communication and additional training**
- **ensuring staff were supported with information** about their obligations and how to process cancellations correctly
- **increasing staff awareness of the impact of incorrect advice**, particularly for customers in financial difficulty
- **improving staff and customer information** about how to dispute a transaction and recover unauthorised direct debits, and
- **monitoring compliance** with their own mystery shopping exercises.

Since then, the CCMC has followed up with banks to see what steps they had taken to act on these recommendations. In the 2011–12 ACS, banks were asked to report on changes they had implemented. Again in 2017, the CCMC wrote to banks asking, among other questions, what training, information and updates banks provide to staff, as well as what monitoring arrangements are in place (these questions are listed in Appendix 1).

Overall, there has only been a partial uptake of the CCMC's 2012 recommendations, particularly with regard to training. Further, some recommendations, such as those concerning monitoring, were not implemented at all. Even where one-off action was taken, staff turnover in the intervening years may have eroded its benefits – highlighting the need for sustained attention to the issues.

### Customer information

As the CCMC's website review showed, most banks do not provide customers with clear, simple guidance on direct debit cancellation via bank websites.

The CCMC is pleased to report that in response to its recent enquiries, most banks have confirmed that they will review the availability and clarity of information regarding direct debit cancellation on their websites. One bank has already updated its content which now provides clear guidance for customers.

## Recommendation 1

**Add clear, simple customer guidance on direct debit cancellation to websites.**

This guidance should:

- be easy to find on FAQ pages or using basic search terms, and
- explain the difference between direct debits which have been set up using a BSB and Account Number, and recurring card payments set up via a Credit or Debit Card.

## Recommendation 2

**Explore and implement ways to allow customers to cancel direct debits through their existing online banking services.**

### Training

Training is a primary means by which banks can educate staff about their direct debit obligations under the Code. Under clause 9 of the Code, banks are also required to ensure staff are trained to have an adequate knowledge of the Code obligations and provide banking services competently and efficiently.

Following the CCMC's 2012 recommendations on staff training, several banks reported that they had taken steps to improve staff awareness of banks' direct debit cancellation obligations. Some banks revised their training modules or conducted refresher training for staff.

In response to the CCMC's detailed questions about current training arrangements, banks stated that they cover this information in training modules and Code of Banking Practice training. In many cases this training is provided to new staff only.

While banks generally reported that the content and delivery of training is similar for both contact centres and branches, there were notable exceptions. Two major banks stated that training for branch staff does not specifically include the cancellation of direct debits, although staff are expected to familiarise themselves with the appropriate policy and procedures.

The CCMC is concerned that this approach does not meet the standards set out in clause 9 of the Code and will address this directly with these two banks.

Overall it appears that banks' training efforts remain insufficient. In its submission to the 2016 Code review, the Australian Bankers' Association (ABA) acknowledged that improvements to staff training and competency were still needed.<sup>7</sup> Noting that banks' documented procedures appeared to be clear and compliant, the Code review report also attributed ongoing non-compliance largely to inadequate staff knowledge and training.<sup>8</sup>

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<sup>7</sup> Australian Bankers' Association Inc 2016, submission to the *Review of Code of Banking Practice*, ABA, Sydney, p. 8.

<sup>8</sup> Khoury, P 2017, *Independent Review Code of Banking Practice*, cameron, ralph. khoury, n.p., p. 142.

## Staff information and reminders

Training is not the only strategy for improving and maintaining staff awareness of Code obligations and direct debit cancellation processes. Staff must also be able to access process and procedure information when needed. Following the CCMC's 2012 recommendations, some banks updated and clarified their procedures.

Banks also have intranets on which staff can access information about bank obligations and processes. Even though this information is available, staff may not access it. During mystery shopping the CCMC did not observe branch staff looking up guidance in their systems while handling direct debit enquiries.

With many processes and obligations to be aware of, bank staff may need regular, proactive reminders if they are to retain information about handling direct debit cancellations. In response to the CCMC's 2012 recommendations, some banks disseminated staff communications about banks' obligations.

Unfortunately, these efforts to provide additional reminders to staff do not appear to have been ongoing. In response to the CCMC's 2017 enquiries, most banks reported that except where there is a change to bank processes, other communication to staff is rarely made.

Positively, one bank has a plan for communicating key compliance messages to frontline staff and reported that it will consider building regular messaging around direct debit cancellation obligations into this plan.

### Recommendation 3

**Ensure that all frontline staff are aware of the direct debit Code obligations by:**

- providing Code-related and operational training programs to both new and existing staff
- providing easily-accessible quick reference guides and cancellation forms
- sharing the CCMC's reports and findings
- updating and reminding staff through newsletters, emails, intranet news items or team meetings.

Staff should be reminded of the bank's obligations at least once a year.

## Internal monitoring

To monitor direct debit non-compliance, most banks rely on reviewing complaints and quality assurance call monitoring. Neither focus specifically on direct debits. While this is reasonable given the range of compliance and customer service issues banks must consider, without a focus on direct debits, issues may not be identified and standards may drop. One bank noted that there were no specific references to direct debit obligations in its Quality Assurance guidance. The bank has since updated this guidance and plans to communicate this change to staff.

One of the CCMC's 2012 recommendations was that banks conduct their own mystery shopping to monitor compliance. While three banks reported conducting targeted mystery shopping in the past and one has plans for a mystery shopping

exercise in the next six months, no bank appears to have conducted its own mystery shopping recently.

### **Recommendation 5**

**Conduct internal mystery shopping annually**, reporting the outcomes to the CCMC.

### **Recommendation 6**

**Remind monitoring and quality assurance staff of the Code obligations to ensure that they can identify non-compliance.** Any non-compliance identified should be raised with the staff concerned and reported to the CCMC.

## **A new approach**

Highlighting ongoing non-compliance with direct debit obligations, the 2016 Code review report noted that the CCMC's previous recommendations on staff training and monitoring has 'led to little change'.<sup>9</sup> The CCMC's latest findings support this conclusion, indicating that even where its previous recommendations were adopted by banks, this does not seem to have led to any major or lasting improvement in Code compliance.

The CCMC now wants to see substantial, permanent improvement to banks' compliance with these important obligations. To achieve this, it is apparent that in addition to the recommendations above, new strategies are needed. These strategies must be practical, supported by industry, and informed by the challenges that have hindered improvement to date. The CCMC therefore asked banks to elaborate on the challenges to compliance. It also engaged with the ABA, seeking its input on compliance challenges and how the ABA and CCMC might assist banks to improve compliance.

### **Addressing confusion between direct debits and recurring credit card payments**

One barrier to improved compliance appears to be the confusion between direct debits and recurring card payments. Although these transactions are similar from a consumer perspective, they are processed differently and attract different Code obligations. This confusion may apply to both customers and some bank staff.

In the past, the ABA has considered whether changes could be made to align the payment systems. The 2016–17 Code review recommended that banks 'work with card scheme companies to build functionality and processes to enable signatory banks to carry out customer requests to cancel card recurring payment arrangements'.<sup>10</sup> In its response, the ABA supported this recommendation and said that industry would work with card schemes to determine system build, cost and the time needed to implement a solution.<sup>11</sup>

**In the meantime, one bank has already entered into an arrangement with a card scheme whereby the bank cancels card debits. The bank is charged a \$5.00 transaction fee, which it does**

<sup>9</sup> Khoury, P 2017, *Independent review Code of Banking Practice*, cameron, ralph. khoury, n.p., p. 142.

<sup>10</sup> Khoury, P 2017, *Independent review Code of Banking Practice*, cameron, ralph. khoury, n.p., p. 145.

<sup>11</sup> Australian Bankers' Association Inc 2017, *Code of Banking Practice: response by Australian Bankers' Association to review final recommendations*, ABA, Sydney, p. 22.

not pass on to the customer. The CCMC considers this to be a positive outcome for customers and hopes a similar approach can be adopted across the industry.

### **Recommendation 7**

**With the ABA's support, continue to work with card schemes to develop functionality that allows customers to cancel recurring card payments via their bank, free of charge.**

The CCMC considers that all code-subscribing banks should aim to have such arrangements in place by the time they have transitioned to the new Code.

### Providing guidance

In light of evidence that staff training on direct debit obligations is still inadequate, in its 2016 submission to the Code review, the ABA invited further information, evidence and examples to help banks to improve their training.<sup>12</sup>

On request, the CCMC will provide support and guidance to banks regarding the development of customer information for websites and quick reference guides for staff which explains the differences between direct debits and recurring card payments and what customers can and cannot do to cancel each type of payment.

### Updating the CCMC's monitoring approach

Recognising that the recommended compliance initiatives may have only a limited or short-term effect, the CCMC believes that it must also revise its approach to compliance monitoring. With intensified ongoing monitoring, the CCMC hopes to keep the recommendations in this report front-of-mind for banks, and to encourage continued efforts to improve compliance.

The 2016–17 Code review recommended that the CCMC publicly report on banks' progress improving compliance with their direct debit cancellation obligations, publishing anonymised data and trend analysis, alongside assessment of the adequacy of banks' efforts.<sup>13</sup>

The CCMC plans to adopt an approach similar to that recommended, asking banks to report annually on their efforts to enhance compliance and the effect of those efforts. The CCMC will continue this monitoring until it is satisfied that compliance has permanently improved to a sufficient level. The CCMC will also consider conducting periodic, ad-hoc and small-scale mystery shopping exercises to test banks' compliance. Drawing on the results of these monitoring activities, the CCMC will publicly report on signatory banks' progress each year.

Where the CCMC identifies ongoing non-compliance and a bank has not taken reasonable steps to implement the recommendations made in this report, the CCMC will consider further action it can take to encourage improvement.

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<sup>12</sup> Australian Bankers' Association Inc 2016, submission to the *Review of Code of Banking Practice*, ABA, Sydney, p. 8.

<sup>13</sup> Khoury, P 2017, *Independent review Code of Banking Practice*, cameron, ralph. khoury, n.p., p. 58.



# Appendix 1: Questions for banks

Following the mystery shopping, the CCMC wrote to each bank, asking:

1. How has the bank implemented the recommendations from the CCMC's previous inquiries regarding direct debits? Please provide evidence of changes that have been made.
2. What data does the bank have available that could assist the CCMC to better understand the number of direct debit cancellation requests that are made by customers? For example, on average in a single month:
  - How many direct debits are processed that use BSB and Account number/ the BECS system?
  - How many recurring card payments are processed?
  - How many cancellation requests does the bank receive for each of these types of payment?
  - How many complaints does the bank receive that relate to the bank's failure to cancel a direct debit when requested?
3. Please outline the training that is provided to frontline staff regarding the cancellation of direct debits? How often is this training provided? Is the training provided to branch staff the same in terms of content and delivery as the training provided to staff who operate in call centres?
4. Does the bank's training regarding the cancellation of direct debits include information on the impact of incorrect advice, particularly upon customers who may be experiencing financial difficulty?
5. How often are communications regarding the cancellation of direct debits provided to frontline staff?
6. What monitoring does the bank undertake to target staff compliance with the direct debit obligations under the code? How regularly is this monitoring undertaken? Does bank conduct mystery shopping exercises? If so, what are the outcomes?
7. Does the bank have any plans to improve the availability of information regarding the cancellation of direct debits on its website? Does the bank consider it could improve the information available to customers on its website?
8. What does the bank consider to be the challenges for the bank in meeting its direct debit Code obligations? How does the bank think it can improve compliance in this area? Are any projects underway or being planned to improve Code compliance regarding the cancellation of direct debits?
9. Is there any other information/supporting documentation or comment that the bank would like to provide regarding this research or direct debits more broadly?

## About the CCMC

The purpose of the CCMC is to assure the community that subscribing banks honour their Code obligations to their customers.

To do this the CCMC will:

- Monitor banks' practices
- Identify and report on industry wide problems, and
- Encourage continuous improvement.

### Do you want to know more about the Code or the CCMC?

If you would like to know more about the Code of Banking Practice or the CCMC, you can refer to the CCMC website:

[www.ccmc.org.au](http://www.ccmc.org.au)

Alternatively you can visit the ABA's webpage about the Code at:

[www.bankers.asn.au/consumers/code-of-banking-practice/](http://www.bankers.asn.au/consumers/code-of-banking-practice/)

### Contacting the CCMC

Do you want to:

- report a concern that a bank has breached the Code?
- make a general enquiry?
- provide feedback?
- make a media enquiry?

You can contact the CCMC using the contact details below.

### Banking Code Compliance Monitoring Committee

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PO Box 14240

Melbourne VIC 8001

email: [info@codecompliance.org.au](mailto:info@codecompliance.org.au)

Phone: 1800 367 287 (please ask for 'Code Compliance')

[www.ccmc.org.au](http://www.ccmc.org.au)

