

# Customer Owned Banking Code of Practice

2026 Review

AFCA Submission

April 2026

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## 1. Introduction

The Australian Financial Complaints Authority (AFCA) is the external dispute resolution (EDR) scheme for the financial services sector.

For over 30 years, AFCA and its predecessor schemes have provided a free, fair and independent forum for the resolution of consumer and small business complaints in the financial sector. In financial year 2024-2025, AFCA received and dealt with more than 100,000 consumer and small business complaints about financial services firms.

AFCA welcomes the opportunity to provide feedback to the Independent Review (Review) of the Customer Owned Banking Association Code of Practice (Code).

### AFCA's role with industry codes

AFCA has a dual role in relation to financial sector codes of practice:

- in our primary dispute resolution role, we must have regard to applicable codes or guidance in accordance with AFCA's Rules<sup>1</sup>; and
- a separately operated and funded team in AFCA, the Code Group, acts as the administrator for several codes, including the Customer Owned Banking Code of Practice.

AFCA's Code Group supports independent code compliance committees, including the Customer Owned Banking Code Compliance Committee (COBCCC), to monitor compliance with codes of practice to achieve service standards people can trust. This submission is made on behalf AFCA, not the COBCCC.

## 2. Executive Summary

AFCA strongly supports the role industry codes play to strengthen standards and improve consumer outcomes in the financial sector. Effective industry codes build trust between consumers and financial firms by setting clear expectations and providing practical guidance for firms on how to meet obligations in the law. They can also lift standards and improve outcomes in areas where the law is silent, helping to support timely, fair, and efficient dispute resolution.

In FY 24-25, AFCA received 100,745 complaints, 54,581 of which were banking and finance related complaints. While customer-owned banks (COBs) represent only a small portion of these numbers, they play an important role in Australia's banking and financial system. For example:

- more than five million Australians bank with a customer-owned banking institution

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<sup>1</sup> Under Rule A.14.2, in assessing and determining complaints, an AFCA decision maker must do what they consider is fair in all the circumstances, having regard to: a) legal principles b) applicable industry codes or guidance c) previous relevant determinations of AFCA of predecessor schemes.

- COBs account for around two thirds of the total number of domestic authorised deposit-taking institutions<sup>2</sup>
- COBs are central to delivering competition and choice to consumers in Australia's retail banking system.

AFCA welcomes this Review as an opportunity to build on the strength of existing Code commitments.

Given COBA members' role and proximity to their customers, subscribing firms are uniquely placed to lead, innovate and drive material improvements to industry standards, not limited to COBA member firms, to improve customer outcomes.

An agile, ambitious Code that is responsive to current and emerging issues and changing community expectations can set strong, forward-looking standards for the sector. AFCA encourages COBA to grasp the opportunity this Review presents to:

- strengthen standards in key areas such as financial difficulty to reduce barriers for consumers, prompt earlier identification of financial difficulty, and encourage more timely and tailored engagement
- enhance the Code response to supporting First Nations customers
- enhance practical commitments and responses to customer vulnerability
- improve Code protections for small business
- anticipate and respond to current and emerging risks with a view to 'futureproofing' the Code as far as practicable.

AFCA recommends that COBA submit the Code, once reviewed, to ASIC for approval under ASIC's Regulatory Guide 183.<sup>3</sup> ASIC approval is a powerful signal to all stakeholders that the Code is one they can have confidence in.

### 3. AFCA's complaints experience

Complaints involving COBs make up a small proportion of AFCA banking and finance complaints. In line with the broader trend of increasing banking complaints to AFCA since FY 22, when the Code was last reviewed, complaints involving COBs have similarly increased.

Most COB complaints are closed at AFCA's registration and referral stage, where firms have 21 days to work directly with the complainant to reach a resolution. There

<sup>2</sup> Customer Owned Banking Association 2025, *Our Sector*, available at: <https://www.customerownedbanking.asn.au/about-us/our-sector/>.

<sup>3</sup> See [Regulatory Guide RG 183 Codes of conduct for the financial services and credit sectors](#).

has been a steady increase in the percentage of complaints resolved at this early stage over time, from 50% in FY 22 to 62% in FYTD 26.

The following insights flow from AFCA's complaints experience involving COB firms and highlight 4 areas of focus for this Review. Appendix A sets out additional AFCA complaints data.

**Financial difficulty complaints:** While the overall number of complaints about financial difficulty is relatively low, we note that most financial difficulty complaints are resolving at the case management stage, typically sitting around 50% of complaints for the past 4 financial years.

Most complaints involving financial difficulty involve home loans, followed by personal loans while credit card complaints have consistently declined.

The top issue in financial difficulty complaints is financial firm failure to respond to a request for assistance. AFCA continues to find lenders' failing to properly respond to, or adequately acknowledge, financial difficulty requests. This is in line with findings from ASIC's report<sup>4</sup>, *Hardship, hard to get help: Lenders fall short in financial hardship support*, which found that one third of applicants abandoned their requests due to excessive difficulties.

**Focus area:** We consider there is an opportunity for COBA subscribing firms to:

- resolve complaints earlier in the AFCA process, helping prevent consumers from moving to later stages of hardship complaints and facing ongoing financial stress
- strengthen commitments relating to financial difficulty responses.

**First Nations consumers:** Complaints involving First Nations consumers represent 3-5% of complaints about COBA member firms across the time series, July 2022 – February 2026. Across AFCA's banking jurisdiction, AFCA's complaints data shows that First Nations consumers are disproportionately represented in complaints relating to unauthorised transactions and unmet requests for financial difficulty assistance.

While AFCA data likely represents only a small portion of likely complaints, we recognise that First Nations people continue to face ongoing barriers in accessing financial services and to resolving complaints where they arise. Negative impacts may be compounded by limited access to banking services, bank branch closures and, in regional and remote areas, issues accessing reliable internet access and mobile coverage.

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<sup>4</sup> See [REP 783 Hardship, hard to get help: Lenders fall short in financial hardship support](#).

**Focus area:** This Review presents an opportunity to strengthen Code commitments for First Nations customers to address known issues in areas where consumer experience and outcomes are poor. This is consistent with COBA members' proximity and commitment to the communities they serve.

**Responding to customer vulnerability:** AFCA's experience is that complainants experiencing vulnerability face greater barriers in making and escalating complaints both at IDR and to AFCA. This means that AFCA's data on complaints flagged with indicators of vulnerability—which is low with a slight uptick in recent years—is not representative of the actual numbers of customers experiencing vulnerability. The most common flags for customers experiencing vulnerability in our complaints are mental illness, domestic violence, and housing insecurity.

**Focus area:** Firms have the direct customer relationship which presents the first and best opportunity to respond to customers experiencing vulnerability. Effective identification and response are critical to good consumer outcomes and to reducing downstream complaints. This is an area where strengthened Code standards can materially shift the dial.

**Small business:** AFCA receives relatively few complaints about COBs from small businesses, noting that COBs tend to have lower levels of small business lending relative to non-COB AFCA member banking firms. AFCA has observed an increase in small business complaints, which primarily involve business transaction accounts with the top issue being account closures, and some improvement in the handling of these small business complaints.

**Focus area:** We consider small business complaints a fruitful area of focus for this Review to improve standards and support closer alignment with standards applying to non-COB firms. These suggestions are set out in the body of this submission.

## 4. Consultation questions

### 4.1. About the Customer Owned Banking Code of Practice

A focus on consumer outcomes grounds the Code review process and helps ensure it delivers meaningful and practical improvements. Consumers can face significant harms in their dealings with financial firms. Some harms are longstanding, such as financial difficulty and financial abuse, whilst others are amplified by cyber-threats, scams, and climate-related disasters. In this context, Codes play an increasingly important role by:

- providing clear and practicable guidance to firms about their obligations

- clearly explaining to firms the standards they commit to, and to customers the expectations they can rely on in their dealings with subscribing firms.

Scalability has long been a relevant consideration in terms of regulatory, policy or Code settings. A firm's size, resources, geographical reach, customer base and level of direct customer interaction will shape how it meets its obligations. However, scalability is not a licence for lower standards. An industry Code is a public commitment to improving industry standards and customer outcomes in the communities in which subscribing firms operate. When well-developed and drafted, Codes:

- provide practical guidance that goes beyond restating or duplicating the law
- set out clearly how firms should go about meeting their relevant legal or Code obligations.

We also note that since the last Code review, an updated Banking Code of Practice (BCOP) has been published. We see an opportunity for this Review to address gaps between the respective Codes and to align with, innovate on, or exceed those standards, as appropriate, to drive improvements across the sector and support effective competition and meaningful choice between the customer-owned and investor-owned banks.

#### **4.2. Effectiveness of the Code**

AFCA supports the Code's promise-based structure. These promises provide clear commitments to customers and help guide member behaviour, while allowing for flexibility where it is needed, such as in responding to family violence.

AFCA also supports principle-based provisions in areas where flexibility is needed, allowing financial firms to tailor their responses to individual circumstances and adapt over time.

However, AFCA does not support an approach where the Code is limited to high-level principles and substantive commitments are set out in separate guidance or supplementary documents that do not form part of the Code. This approach risks diluting commitments and reducing clarity for consumers. Commitments are most effective when they are clearly set out in the Code itself.

More broadly, different subscribers may interpret promise-based approaches and principles-based provisions differently, potentially resulting in inconsistent consumer outcomes. Drafting clarity, practical guidance in areas where the evidence from complaints or Code monitoring suggest it is warranted, and ongoing monitoring is key to supporting consistent application and compliance among subscribers. We suggest particular focus on strengthening provisions relating to:

- financial difficulty support

- consumers in vulnerable circumstances
- the transparency of complaint handling processes.

### Third-party service providers and intermediaries

Customer pain points are not limited to interactions with subscribing firms. Given the key roles played by a range of intermediaries, AFCA considers there is a need to update the Code to strengthen provisions relating to authorised third-party representatives or contractors of financial firms (e.g. debt collectors, Bank@Post staff, financial advisers and brokers).

**Recommendation:** In Part A, we suggest the Code explicitly state that the promises made to customers apply to ‘customer-owned banks, their staff and their representatives.’

### Training

Appropriately trained and competent staff are essential to maintaining compliance with Code obligations and delivering consistent, high-quality service to customers. An integral component of ensuring staff, agents or representatives are ‘well trained’ is having mechanisms in place to assess and monitor the effectiveness of that training.

**Recommendation:** In Part B, under ‘Training our staff,’ we suggest that the Code include a commitment to having systems and processes to monitor the effectiveness of representatives’ training on and understanding of the Code. The effectiveness of training should be reflected through improved customer outcomes, including, for example, a reduction in complaints.

### 4.3. Experiences of financial hardship

AFCA considers there is an opportunity for the Code and COBs to materially strengthen their responses to customers experiencing financial difficulty. While the Code establishes important expectations in relation to financial difficulty, AFCA’s complaints experience suggests there are gaps and inconsistencies in practice across subscriber firms that result in consumer harm.

The top issue in financial difficulty complaints is financial firm’s failure to respond to requests for assistance, which is consistent across the banking sector. AFCA’s experience indicates that COBs may be missing opportunities to identify and resolve financial difficulty complaints at an early stage. This can result in unnecessary delays, exacerbate the financial distress of customers, and lead to avoidable complaints to AFCA. Clear and direct expectations in the Code about early, timely and empathetic engagement can support firms to work more effectively with customers experiencing financial difficulty to prevent complaints at IDR or the escalation of complaints to AFCA, which increases cost and delays resolution.

## Case Study 1 – Failure to consider financial hardship application

In June 2023, the complainant notified the bank that they were experiencing financial hardship and engaged a financial counsellor to assist with submitting a hardship application. The bank requested further information, including a Statement of Financial Position and supporting documents. When the documents had not been received by August 2023, the bank declined the hardship request.

Later that month, the financial counsellor resubmitted the required documents and requested the hardship application be reopened. The bank failed to identify or properly consider this submission, failed to further engage the complainant or financial counsellor, and issued a further decline letter to the complainant.

AFCA determined that the bank failed to give genuine consideration to the August 2023 hardship notice, which resulted in delay, stress and inconvenience to the complainant. AFCA required the bank to pay compensation for non-financial loss.

A strong and effective Code can and should set clear expectations that reduce barriers for consumers, prompt earlier identification of financial difficulty, and encourage more timely and tailored engagement.

### COBCCC Recommendations

The 2024-25 COBCCC *Annual Code Report*<sup>5</sup> found that COBs varied in their interpretation of financial difficulty policies, resulting in inconsistent levels of support and potentially unfair consumer outcomes. The COBCCC identified that COBs at times requested documentation from customers or their representatives within unreasonable timeframes, and that processes for identifying vulnerability were not always effective.

We encourage the Review to engage with the insights of the COBCCC recommendations for COBs to:

- establish clear, well-documented financial difficulty processes and apply them consistently
- provide regular training to staff to help them identify and support customers experiencing vulnerability
- conduct root cause analysis of compliance failures and implement corrective actions.

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<sup>5</sup> See [Annual Code Report](#).

## ASIC Lessons for Lenders

We encourage the Review to consider the Lessons for Lenders as set out in ASIC's *Report Hardship, hard to get help*, to establish clear and practical principles for responding to financial difficulty. This includes:

- make the assessment process efficient and easy
- work with customers to develop sustainable solutions
- clearly communicate the outcome of a request for assistance
- maintain communication during and at the end of the assistance period
- identify and support customers experiencing vulnerability
- manage the financial difficulty function in a customer-centric way
- ensure sufficient supporting arrangements are in place.

## BCOP Financial difficulty provisions

We also encourage the Review to consider the Code alongside the financial difficulty provisions in the BCOP. We consider there are opportunities to align with, and where appropriate, to improve on the relevant BCOP settings. This includes consideration of:

- clause 168: providing a clear, plain English definition of what financial difficulty means
  - > clause 168 d): expanding the definition of a natural disaster to provide examples “such as droughts, fires, floods and earthquakes (as declared by an Australian Federal, State or Territory Government) or, if no such declaration is made, where we are satisfied on other grounds that a natural disaster has occurred”
- clause 173: establishing a commitment for banks to proactively identify common indicators of financial difficulty and to contact customers where banks may think they are experiencing financial difficulty
- clause 175: committing to tailored responses to financial difficulty similar to that outlined in “Any help we can give will depend on your individual circumstances. We provide help to customers on a **case-by-case basis**”
- clause 178: outlining the potential hardship arrangement through which a bank may help their customers who are experiencing financial hardship as set out in BCOP's sections on “Restoring your financial position is possible” and “Restoring your financial position is unlikely.”

### 4.4. Small business banking experiences

The Code includes protections for small businesses. These protections cover diligent and prudent lending, and safeguards for small businesses that provide a guarantee that secures a loan or other credit facility for another customer.

We support the inclusion of a dedicated small business lending chapter and related provisions dealing with defaults, guarantees, valuations and financial difficulty within the Code. It is important that small businesses who bank with COBs have clarity and certainty about the protections they have under the Code.

We encourage the Code to explicitly address the needs of small business customers, and to ensure the provisions operate effectively across products that are digitally delivered as well as in-branch or face-to-face services.

### Farm Debt Mediation (FDM)

We note the current Code provision that requires a COB to inform a farmer customer of their right to complain to AFCA entering into a farm debt mediation.

However, we suggest amending clause 34 to change the opening words from “Before we enter into...” to “Before we *offer* to enter into...”. Under the FDM legislation, a COB must offer to mediate before it can enforce a farm debt and a farm mortgage. Some farmer customers elect to not take up the offer to mediate, in which case the relevant State authority issues a certificate entitling the bank to enforce the debt.

We also note that the BCOP adds an additional FDM provision which is not in the current COBA Code. We suggest it would be helpful for the updated Code to replicate this provision:

- BCOP clause 13: *If we do not reach an agreement at a farm debt mediation and you then decide to make a Complaint to AFCA, we will give our consent for AFCA to consider the Complaint. This paragraph only applies where your Complaint would have been excluded by AFCA because it had previously been the subject of a farm debt mediation.*

### Non-monetary defaults

We note the Code does not contain specific provisions addressing non-monetary defaults. We suggest the Review consider including a dedicated section on non-monetary defaults for small businesses and may wish to model this section on the provisions outlined in BCOP clause 87.

### Substantial benefit to co-borrowers

The current Code, in clauses 95-98, provides protections preventing a bank from accepting someone as a co-borrower unless they receive a substantial benefit from the loan (unless the bank takes reasonable steps to ensure the co-borrower understands risks).

However, clause 99 of the current Code exempts small business borrowers from those protections. AFCA does not support this exemption and recommend that clause 99 be removed. A small business co-borrower may be subject to similar pressures or risks as a non-business borrower.

## Guarantors

Clause 104 of the Code states that the bank will give a prospective guarantor a notice before obtaining the guarantee. We suggest reordering clause 104 so that existing clause 104(g) appears as clause 104(a), at the beginning of the list. Earlier emphasis on obtaining legal advice may assist guarantors to better understand the risks and implications of providing a guarantee, and why the lender wants the guarantee, which could avoid potential problems.

Clause 110 of the current Code provides that if the bank attends to the signing of a guarantor it will ensure the borrower is not present. AFCA regularly sees complaints where the guarantor of a small business claims they have no recollection of signing the guarantee or that their signature was forged (by the borrower or by another director of the borrower company). We suggest the new Code contain an additional clause to address digital signings via video conference, where the COB will verify the borrower is not present in the room or on the screen.

## Default interest and farmers

We note the Code does not have provisions on default interest at times of drought and natural disasters. We consider farmers would benefit from the clarity and the commitment that COBs will not charge default interest or associated fees on a loan for farming operations during any period where the land is impacted by drought or subject to natural disaster. COBA may wish to model this provision off the similar clauses within BCOP clauses 128 and 129.

### 4.5. Experiences of vulnerability and safety

AFCA notes the Code's commitments to take extra care with customers experiencing vulnerability and to provide accessible and inclusive banking services. We support the commitments to training staff to identify customers experiencing vulnerability, adapting services as needed, and to communicate in a timely, clear, and effective way.

We encourage a principles-based and human-centred approach to supporting customers experiencing vulnerability as outlined in AFCA's [Approach to Family violence](#) and [Approach to Financial abuse of older people](#). People and groups experience vulnerability in diverse and complex ways; we offer the principles of Consider the context, Engage with care, and Prioritise safety as a meaningful way to support these customers.

### Case Study 2: Failure to provide extra care to a customer experiencing vulnerability

The complainant requested financial difficulty assistance on their credit facilities, including a home loan, as they had experienced significant financial difficulty and vulnerable circumstances, including severe mental illness, since 2023. The complainant alleged the bank had mismanaged their hardship requests, failed to

appropriately support them as a vulnerable customer, and incorrectly reported adverse repayment history information.

While the bank technically complied with the National Credit Code hardship process, AFCA noted it applied a business-as-usual, and not an appropriately adapted, approach that created unreasonable barriers to assistance, caused confusion and distress, and led to avoidable defaults. AFCA determined the bank failed to meet its “extra care” obligations under the Customer Owned Banking Code of Practice once it was on notice of the complainant’s vulnerability and mental health issues.

AFCA found that, had the bank provided genuine extra care, ongoing financial difficulty arrangements would likely have been in place and adverse credit reporting, default fees, and some escalation of the complainant’s situation would have been avoided. The determination was substantially in favour of the complainant. AFCA ordered the bank to pay non-financial loss, refund default and late fees charged, correct adverse credit reporting, and provide a structured pathway to keep the complainant in their home should they be able to demonstrate improved serviceability.

### People experiencing vulnerability

AFCA sees an opportunity for the Code to reflect a more nuanced understanding of vulnerability as a spectrum of risk. While there is not a single definition of vulnerability that applies across financial or other retail markets, there is general acceptance of a broad approach which makes clear that:

- anyone can become vulnerable at any time
- experiencing vulnerability is a personal situation that requires extra care and often a tailored response
- there is no exhaustive set list of prescriptive factors that amount to vulnerability.

This type of approach also acknowledges that the conduct of firms (in this context, COBs) can of itself amplify consumer vulnerability. This may result, for example, from complex product design, hidden or opaque pricing, hard-to-navigate processes, particularly during a hardship process for example, or excessive delays in communication or in resolving a complaint.

The reliance on a list of factors may result in firms focussing on checking off this list – without fully and holistically considering a customer’s particular situation and the circumstances in which they are contacting or engaging with their bank. In considering alternative vulnerability provisions, the approach taken by the UK Financial Conduct Authority (FCA) could serve as a model. The FCA’s definition of ‘vulnerable customer’: ‘someone who, due to their personal circumstances, is

especially susceptible to harm – particularly when a firm is not acting with appropriate levels of care'.<sup>6</sup>

We encourage COBA to consider this approach and to assume some level of vulnerability in circumstances of financial hardship, family violence or poor health for example, where a person may have low resilience to cope with financial or emotional shocks or low capability, such as poor literacy or numeracy skills.<sup>7</sup>

It is appropriate to expect the Code and subscribing firms to take a more proactive approach to identifying consumers who need special care and designing processes that cater for them. This approach is consistent with insights that the burden of 're-telling' one's story to multiple employees or third-party representatives amplifies trauma and can lead to consumers dropping out of important conversations and processes (including hardship and complaints processes).

An understanding of vulnerability as inclusive of factors such as literacy, geographical location (including remoteness) or status as an incarcerated person or person recently released from incarceration is one that understands how individual circumstances can affect a customer's ability to access, understand or manage their banking services.

We also suggest some drafting changes to reflect more contemporary language including rewording the reference to 'elder abuse' as 'abuse of older people' in line with the National Plan to End the Abuse and Mistreatment of Older People.<sup>8</sup> The term 'Elder' has specific cultural significance for First Nations Peoples', and the term 'elder abuse' does not resonate or translate well, including for people from culturally and linguistically diverse communities.

### **Inclusive banking services**

AFCA considers there is an opportunity for the Code to outline a clear, positive commitment to work with their customers and communities to ensure products and services are meaningfully accessible and inclusive. This includes expanding the list of circumstances for individual customers which would trigger banks to take reasonable steps to provide accessible and inclusive banking. We recommend the Code should expressly acknowledge customer diversity including customers in regional and remote locations, customers of diverse gender and sexual identities, and customers who are incarcerated. It should also provide for accessibility needs such free access to the National Relay Service.

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<sup>6</sup> Financial Conduct Authority 2025, *Guidance for firms on the fair treatment of vulnerable customers*, available at: <https://www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers>.

<sup>7</sup> Financial Conduct Authority 2025, *Guidance for firms on the fair treatment of vulnerable customers*, available at: <https://www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers>.

<sup>8</sup> Department of the Attorney-General 2026, *National Plan to End the Abuse and Mistreatment of Older People 2026 – 2036*, Australian Government, Canberra, pp. 12 available at: <https://www.ag.gov.au/sites/default/files/2026-03/national-plan-to-end-abuse-mistreatment-of-older-people-2026-2036.PDF>.

## Safety by design

We welcome COBA's recent commitment to the [Financial Safety Alliance](#) and see an opportunity for the Code to incorporate the Safety by Design principles to promote customer safety and combat financial abuse. The principles ensure:

- **Service provider responsibility:** the burden of safety should never fall solely upon the user.
- **User empowerment and autonomy:** the dignity of users is of central importance.
- **Transparency and accountability:** transparency and accountability are hallmarks of a robust approach to safety.

Incorporating the Safety by Design principles into the Code shows commitment to building safe products and processes that reduce the risk of financial abuse.

## Basic accounts

We consider that the current Code provisions relating to the provision of banking services to low-income earners and Commonwealth concession card holders could be improved. Basic accounts play a critical role in ensuring that essential banking services are available to all, yet the Code does not refer to them directly. We suggest the Code include a dedicated section on basic accounts. This section should clearly explain what a basic account is, the minimum features it must offer, and who these products are designed for. It should also, given the findings of ASIC's Better Banking for Indigenous Consumers Project<sup>9</sup>, include commitments to:

- pro-actively identify eligible customers; and
- where an eligible customer is identified, offer to transfer the customer to a basic account and clearly explain how that transfer would affect them.

## Deceased estates

The Code is silent on deceased estates. Customers who manage an estate often face complex and unfamiliar processes at a time of grief and stress. The lack of clear and accessible information creates barriers for customers when they most need support. We suggest the Code include a dedicated section on deceased estates, perhaps by reference to Section B8 Deceased Estates, clauses 132-148, in the BCOP.

## Remote banking

Branch closures can directly impact some customer's ability to access inclusive banking, and tends to disproportionately affect certain customer cohorts, particularly those who are older, have reduced mobility, or have limited access to technology.

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<sup>9</sup> See [23-183MR](#), published on 5 July 2023, which outlined the project's findings.

COBs operate more branches relative to their size than major banks, and currently operate one in every five regional branches.<sup>10</sup> AFCA welcomes COBA members' ongoing commitments to regional and remote communities. However, we note that the Code does not currently include a branch closure support protocol. To support COBA's commitment to regional and remote customers, AFCA suggests the Code include a clear commitment to assist customers impacted by branch closures in remote and regional areas, including through appropriate communication, transition support and alternative service arrangements.

#### 4.6. First Nations perspectives on banking and the Code

First Nations people face persistent and well understood barriers to accessing and maintaining appropriate financial products and services, particularly in remote communities.<sup>11</sup> These barriers can mean that First Nations peoples can face unique challenges managing their finances and navigating hardship or complaints processes. Based on AFCA's complaints experience and community engagement, the most common banking issues relate to unauthorised transactions, and inadequate or delayed responses to requests for financial difficulty assistance.

This Review provides an important opportunity to establish clear and consistent standards for how banks engage with First Nations customers and provide access to financial services.

We recommend the Code include a stand-alone section on providing banking services to First Nations customers, perhaps having regard to similar provisions in the BCOP. This section should include a commitment from COBs to:

- appropriately tailor their banking services to be accessible and responsive to the needs of First Nations customers, particularly those in regional and remote areas, including flexibility with identification requirements
- ensure First Nations customers are informed about suitable banking products and services, and supported to transfer to those accounts, and
- provide meaningful cultural awareness training for their staff, particularly those who regularly engage with and support First Nations people.

#### 4.7. Digital banking, technology, and service continuity

Banking and finance services are increasingly digital in nature, and direct human interaction between a bank and its customers more limited. This presents challenges for COBs and their customers, reflected in an increase in complaints involving

<sup>10</sup> Senate Standing Committee on Rural and Regional Affairs and Transport 2024, *Bank closures in regional Australia*, Australian Government, page 74-75, available at: [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/RB000072/toc\\_pdf/BankclosuresinregionalAustralia.pdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/RB000072/toc_pdf/BankclosuresinregionalAustralia.pdf).

<sup>11</sup> For more information, see [AFCA complaints reveal ongoing barriers for Aboriginal and Torres Strait Islander consumers](#).

electronic banking services in COBs, including complaints arising from the growing prevalence of scams.

While digitisation may deliver efficiency gains, improvements in customer service, and strengthened risk management for firms, it can also introduce or amplify certain risks, including privacy, operational disruptions with exposure to cyber-attacks, and technology failures.<sup>12</sup>

Banking continues to undergo rapid transformation driven by changes in consumer behaviour and preferences, the design and delivery of banking services and the implementation of Artificial Intelligence (AI) across the suite of product and service offerings. AI is increasingly used in a range of domains, including to protect customers from fraud and scams and abuse, strengthen cyber security, and enhance customer experience. In this context, we suggest the Code include measures that address the ethical and operational risks associated with the deployment of AI, and guide firms in adopting AI in a responsible way, supported by robust governance frameworks and a clear focus on customer outcomes.<sup>13</sup>

We recommend that the Code include a commitment requiring human involvement and oversight in key decision-making roles, particularly where automated assessment tools are used in customer care and service and in complex decision-making, where it is not appropriate to rely solely on AI.

Appropriate governance frameworks require human oversight for robust quality assurance processes, to mitigate risks of potential bias or discrimination, and ensure consumer outcomes are not compromised by the design or deployment of AI. An outcomes-focused lens, supported by appropriate monitoring, review and feedback loops, is essential. This also includes the use of AI in non-customer facing tasks, such as systems that may rely on AI to identify patterns and process data. Transparency and communication are key to retaining consumer trust and confidence in how AI is deployed and managed among customer-owned institutions.

#### 4.8. Flexibility, proportionality, and consistency

Customer understanding and the values of mutuality and trust are at the heart of the relationship between COBs and their customers. AFCA recognises that different COBA members require different levels of flexibility in the design and delivery of banking services to their customers and communities. Within this framework,

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<sup>12</sup> Reserve Bank of Australia 2025, *Financial Stability Review – April 2025: 4.2 Focus Topic: Looking at Digitalisation through a Financial Stability Lens*, available at: <https://www.rba.gov.au/publications/fsr/2025/apr/focus-topic-looking-at-digitalisation-through-a-financial-stability-lens.html#fn27>.

<sup>13</sup> AFCA has observed a concerning rise in fraud driven by AI, for example: [AI exploited to rort NDIS, home loans and unfair dismissal claims](#).

however, Code standards should clearly articulate customer rights and the pathways available to them to exercise those rights. We consider that the Code could be strengthened by more clearly explaining that:

- consumers have a right to hold banks to the commitments set out in their Codes
- customers can enforce their rights through a range of mechanisms, including internal dispute resolution, external dispute resolution, and the Court system
- key commitments, such as those relating to communication and complaints handling timeframes in ASIC Regulatory Guide 271<sup>14</sup>, will enhance transparency and consumer understanding of the complaints process.

#### **4.9. Governance, monitoring, and assurance**

The COBCCC performs an essential role ensuring that the promises in the Code are being met, delivering practical benefits for subscribing firms and improving consumer outcomes. The COBCCC's role includes:

- reviewing and monitoring Code compliance
- analysing breach and complaint data
- working with COBs to address emerging issues
- identifying systemic risks
- undertaking reviews and own-motion inquiries, and reporting on findings.

The work of the COBCCC brings accountability, credibility, confidence and transparency to the Code commitments made by subscribing firms.

The updated Code may require increased efforts from the COBCCC for effective monitoring, and we encourage COBA to engage with the COBCCC for their insights on what is needed for appropriate resourcing and governance arrangements.

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<sup>14</sup> See [Regulatory Guide RG 271 Internal dispute resolution](#).

## 5. Appendix A

**Table 1 & 2 - Top 3 Products and Issues (1 July 2022 – 17 February 2026)**

Top 3 products	Number of complaints	Percent of total complaints	Top 3 issues	Number of complaints	Percent of total complaints
Personal Transaction Accounts	2579	42%	Unauthorised Transactions <sup>15</sup>	1353	23%
Home Loans	876	15%	Scams	1247	21%
Credit Cards	519	9%	Service Quality	558	9%

**Table 3 Financial Difficulty complaints (1 July 2022 – 17 February 2026)**

	FY26	FY25	FY24	FY23	FY22
Number of Financial difficulty complaints	61	73	118	67	64

**Table 4 – First Nations COB complaints – general and financial difficulty complaints (1 July 2022 – 17 February 2026)**

	FY26	FY25	FY24	FY23	FY22
Number of complaints from First Nations customers	52	39	60	51	30
Number of complaints from First Nations customers on financial difficulty	6	1	6	2	2

<sup>15</sup> AFCA distinguishes unauthorised transactions from scams, where unauthorised transactions can involve service, fees and charges, debanking etc., whereas scams involves where a customer is deceived out of funds.

**Table 5 - Scams complaints**

	FY26TD	FY25	FY24	FY23	FY22
<b>Number of scams complaints</b>	188 <sup>16</sup>	262	421	289	139

<sup>16</sup> On 12 March 2026, [AFCA's jurisdiction expanded](#) to include investigating complaints involving receiving banks and unauthorised opening of accounts by scammers in a complainant's name. Of the 188 scam complaints in FY 26, four involved receiving banks.