Balance of power alters

Budget to help with complaints

David Huggins

The Federal Government plans to replace the various financial services disputes resolutions schemes with a new Government authority called the Australian Financial Complaints Authority.

Unveiling a series of measures aimed at banks last week, Treasurer Scott Morrison described AFCA as a one-stop shop to deal with disputes involving banks and other financial firms.

The current schemes are the Financial Ombudsman Service, the Credit and Investments Ombudsman and the Superannuation Complaints Tribunal.

While it will be convenient to have one place to make complaints, what is actually important about AFCA is that the value of the disputes it can deal with and the amount that can be awarded as compensation will be much greater than it is under the current system.

At present, other than for complaints about superannuation, complaints can only be made where the value of the complaint is less than $500,000 and the maximum amount that can be awarded as compensation is $309,000.

Under the new system, AFCA will be able to deal with complaints with a value of up to $1 million and it will be able to award up to $500,000 in compensation.

The amount that can be awarded as compensation is being reviewed and it may be this amount will be increased to $1 million.

Importantly, there will be no limit on the amount that can be awarded for disputes about guarantees that have been secured by a mortgage against a family home and, unlike the current schemes, complaints will be able to be made against debt management firms.

Scott Morrison answers questions about his Budget placing more scrutiny on banks.

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The new scheme will remove limitations on the right to make a claim that applied to small businesses in dispute with their bank.

The effectiveness of the current dispute resolution schemes, other than the Superannuation Complaints Tribunal, is limited because only people with smaller claims can use them. The only option people who have suffered a large loss have is to go to court.

Court proceeding are always difficult, stressful and expensive and they involve the very real risk of having to pay the other side's costs.

They are made even more difficult when the defendant is a bank or insurance company that has enormous resources. For this reason many people who have suffered large losses do nothing or get caught up in class actions that often achieve a poor outcome. Ironically the way the current system works is that people who have incurred large losses and who are in a bad financial position as a result often have the least options open to them to recover their loss.

AFCA will be important to consumers who have big losses because it will be a no-cost system that will use cheaper, more informal processes to resolve disputes than those used by a court.

A person with a big loss for example where their house has been destroyed but the insurer has refused to pay will be able to have their claim resolved without the risk of having to pay the insurance company's costs and without incurring their own significant legal expenses that are an inevitable part of court proceedings.

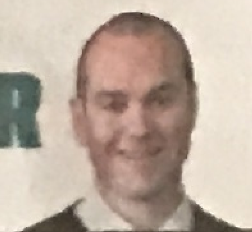
For disputes about life and TPD insurance and bank guarantees, AFCA will be significant because these claims are usually too big to be dealt with by a dispute resolution scheme. A person who has had their TPD insurance claim denied is unlikely to be able to afford to take their insurance company to court. AFCA will give people in this position a real chance of receiving their entitlements.

AFCA represents a fundamental change in the power balance between consumers and their banks, insurance companies and financial advisers. Many consumers who were prevented from being able to recover compensation will be able to do so. This will have important implications for the way financial services are provided in Australia.

David Huggins is a lawyer who specialises in financial services related litigation.

Merit in kissing AMP toad as it prepares to jump

YIELDHUNTER *with Patrick Taylor*



To buy something cheap you must be willing to buy something unwanted, and while recovery plays always spark our interest, it sometimes takes effort to see the beauty beneath an ugly surface.

But here we are doing just that by kissing a toad and hoping for a princely profit with AMP — a former financial services giant that has been cut down to size, but may be ready to charge ahead.

Founded in 1849, AMP is an investment services and wealth management company operating primarily throughout Australia

strong superannuation space and there is a lot of potential for improvement, especially with its overtures and investments in China that could be transformational.

Offering a hefty 5.56 per cent dividend takes AMP a long way towards meeting our target but we will need to secure at least 3.14 per cent in capital gain to beat our total return benchmark of 8.7 per cent a year. At the moment the price shows a 2 per cent premium to consensus target pricing but those targets have risen 5 per cent since the start of 2017 already. Operational losses are mainly confined to the wealth protection and AMP saw decent growth across capital, banking and wealth management services. With their overall business

cent since 1998; where after entering the market at $28 AMP rode a short-circuit to lows of $2.80 by late 2003. The GFC drove them back to deep structural support and the price has spiralled through a number of long-term cycles since. These cycles have been captured by the well-correlated quarterly-timeframe model and within the greater down trend saw rallies gaining 301 per cent (2003-07), 98 per cent (2009), 60 per cent (2011-13) and 66 per cent (2014-15). We now see a new uptrend forming here off a recovery base formed late last year and now only worth 23.7 per cent so far with plenty of room to move.

While AMP has a long negative bias to performance, we see good potential of a rally. The model points to a possible high-amplitude

AMP LIMITED

Classification: Investment Services
Current Price: $5.42
Market Capitalisation: $15.70B
Forecast EPS Growth: 4.64%
Estimate Gross Yield: 5.56%
Consensus Price Target: $5.31
 # Covering Analysts: 14
Premium at Current Price: 2.03%
Price Target Trend: Increasing Flat
Signal Timeframe: Quarterly-Monthly-Weekly
Trend Bias: Flat Down Long-Medium

INDICATORS

Short-term: Positive Neutral
Medium-term: Positive
Long-term: Positive
Recommendation: Buy
Focus: Dividend Income & Capital

KEY FACTORS

- We are looking to catch a long-term recovery cycle here with AMP bouncing off support and moving through resistance.
- They have been through some tough times, but at these values, with an attractive dividend and good earnings forecasts, they look like a goo[d] risk worth taking.
- With their recovery base forming off structural suppor[t] the start of the year, their re[...] break of dynamic resistance around $5.40 sets up the resistance target of $6.00 w[...] old highs towering above at
- We have excellent signal correlation here in the quar[...]