



Submission on Approved Financial Dispute Resolution Scheme Rules

Contact person

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Privacy of natural persons

1.0 Background

Citizens Advice Bureau New Zealand (CABNZ) Ngā Pou Whakawhirinaki o Aotearoa welcomes the opportunity to comment on the *Approved Financial Dispute Resolution Scheme Rules*.

The purpose of our organisation is to:

- Ensure that individuals do not suffer through ignorance of their rights and responsibilities or of the services available; or through an inability to express their needs effectively — Me noho mataara kia kua te tangata e mate i tōna kore mōhio ki ngā āhuatanga e āhei atu ana ia, ki ngā mahi rānei e tika ana kia mahia e ia, ki ngā ratonga rānei e āhei atu ana ia; i te kore rānei e āhei āna ki te whakaputa i ōna hiahia kia mārama mai ai te tangata.
- Exert a responsible influence on the development of social policies and services, both locally and nationally — Kia tino whai wāhi atu ki te auahatanga o ngā kaupapa ā-iwi me ngā ratonga ā-rohe, puta noa hoki i te motu.

We support the principle of partnership reflected in the Treaty of Waitangi - e tautoko ana Ngā Pou Whakawhirinaki o Aotearoa i te mātāpono o te pātuitanga e ai ki Te Tiriti o Waitangi.

We work to empower individuals to resolve their problems and to strengthen communities. The person-to-person service provided by over 2,500 Citizens Advice Bureau (CAB) volunteers is unique in New Zealand. From 82 locations around New Zealand, the CAB provides individuals with a free, impartial and confidential service of information, advice, advocacy and referral. Ka mahi mātou ki te whakakaha i ngā tāngata takitahi ki te whakatika i ā rātou ake raruraru, ki te whakakaha hoki i ngā hāpori. He mea ahurei i roto o Aotearoa te ratonga kanohi-ki-te-kanohi e whakaratohia e ngā kaitūao 2,500 o Citizens Advice Bureau (CAB). Mai i ngā takiwā e 82 puta noa i Aotearoa, e whakaratohia ana e te CAB ki ngā tāngata takitahi he ratonga koreutu, tōkeke, matatapu hoki e pā ana ki te mōhiohio, te tohutohu, te tautoko me te tukunga.

We use our experience with clients to seek socially just policies and services in Aotearoa New Zealand.

2.0 Criteria for the review

Every year we help more than 10,000 clients in relation to financial difficulties, consumer financial issues and insurance matters.

While we consider that the Financial Dispute Resolutions schemes can be very helpful for individuals who get to them, we note that very few individuals end up at the schemes considering the scale of the problems that consumers are having in relation to consumer finance.

We've had long standing concern about having competing schemes for Financial Dispute Resolution and the negative impacts for consumers of this. The fact that competing schemes exist create inconsistencies for consumers and makes it more confusing for consumers to be aware of their ability to seek redress through FDR. The fact that the schemes are competing for members also means that there is a built in incentive to compete based on what is beneficial for financial providers, rather than what is beneficial for consumers.

In our view this review excludes the most obvious way to fix the problems that it is trying to address, namely not having competing FDR schemes, but instead having one single scheme. Ultimately the best way to address the shortcomings the review is attempting to fix is to ensure that there is one scheme for FDR, this would ensure that consumers have consistency regardless of the financial provider they have a dispute with.

Given the purpose statement of the Act we agree that accessibility for consumers should be the most important criteria when considering the proposed changes.

3.0 Financial Caps

We agree that inconsistent financial caps reduce fairness for consumers, and caps which are too low decrease accessibility for consumers. We support introducing a consistent cap through regulation, although we do have questions about the proposed upper limit of the cap, as even the proposed increase would be significantly less than the Australian equivalent (AFCA rule D.4.).

We also support extending the \$1,500p/w limit currently offered by IFSO to the rest of the schemes.

We support setting a consistent special inconvenience award of \$10,000, which should be discretionary.

4.0 Timing of membership & jurisdiction

We agree that inconsistent jurisdictional rules are impacting on accessibility and need to be addressed. There should be no situation where a consumer is unable to access redress because of their financial provider changing schemes. We support option 1, requiring all schemes to consider claims about current members, even if the issue arose prior to membership, as the clearest and most effective option for consumers.

5.0 Applicable time periods (limits) for bringing a claim

Ensuring that complaints are not unreasonably curtailed by timeframes is absolutely essential for consumers. Many of the clients we see who are in a dispute their financial providers, are often going through a very stressful time in their lives and there needs to be acknowledgement of this when considering time periods. In particular clients can often be facing significant financial difficulty, which can be exacerbated by long delays in resolving complaints.

We note that there is relatively little use of all of the FDR schemes, compared to the level of financial disputes that exist, and we consider that less restrictive time frames could assist with this. In particular we consider that the time frame for option 1 should be set to 20 days. This would decrease the time consumers must wait before accessing the scheme without deadlock and significantly increase the accessibility of the scheme for consumers. Our experience is that many schemes already provide informal assistance to consumers to assist them, even where the consumer has approached them before they have formal jurisdiction. This can often help precipitate a quick resolution to the issue.

We support the remaining options 2,3 and 4 as all providing increased consistency for consumers.

Yours sincerely



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