

Review of the Approved Financial Dispute Resolution Scheme Rules

Your name and organisation

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Organisation/Iwi	FMG

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1

What is your feedback on the proposed objective and criteria for the review? What is your feedback on the proposed weighting of the criteria?

FMG welcomes the review of the financial dispute resolution (FDR) scheme rules in order to ensure that they best promote accessibility, fairness, efficiency and effectiveness, and, as far as possible, achieve consistency across the schemes.

We believe that the objective and criteria appear appropriate, although we do not believe that accessibility should hold additional weighting. Fairness, efficiency and effectiveness are equally important and are often connected to a scheme's accessibility in other ways.

Financial cap

2

Are you aware of any instances of consumer harm due to the issues outlined?

There are no instances of consumer harm that we are aware of.

3

Do you have any feedback on the problems outlined?

FMG recognises that a cap of \$200,000 may be problematic for a small number of consumers whose dispute relates to a financial product over this threshold and who are not in a position to pursue court action.

Option one: set the primary jurisdictional and redress cap at \$350,000

4

Do you have any feedback on this option?

FMG supports the proposal for all Schemes to have an aligned, higher cap, pegged to the District Court cap. FMG's view is that all insurance products should be subject to the same increased cap, to ensure consistency and simplicity for consumers.

However, we would reiterate the need for all Schemes to be appropriately resourced to deal with any increase in caseload, to ensure the Schemes remain a fast and effective forum for dispute resolution.

Also, Scheme members should still be able to waive any higher limit for vulnerable clients in exceptional circumstances, where there is agreement between the member, the consumer and the Scheme.

5

Are there any other costs or benefits of this option?

There are no other costs or benefits that we are aware of.

Option two: introduce a weekly alternative to a lump sum cap

6

Do you have any feedback on this option?

We support all FDR schemes having the same weekly alternative cap limit.

7

Do you agree that a weekly payment alternative should be introduced for all schemes? Why/why not?

We support a weekly payment alternative for policies that include weekly payments for the reasons specified in paragraph 35 of the discussion paper.

8 Is \$1,500 an appropriate weekly payment alternative? Why/why not?

FMG agrees that it would be sensible to align with the IFSO's current weekly payment alternative of \$1,500.

9 Are there any other costs or benefits of this option?

There are no other costs or benefits that we are aware of.

Other potential issues with inconsistent awards

10 Do you have any feedback on the problems outlined?

We agree that where possible, awards available to consumers should be consistent across all FDR schemes. However, any type of compensation or award outside of the insurance contract should be given careful consideration and be strictly prescribed. All schemes should be required to use a similar and objective method for calculating interest.

11 If a consistent special inconvenience award was to be introduced, in what circumstances should it be awarded? Should this be discretionary, or strictly prescribed?

We support a consistent special inconvenience award that responds to instances where a consumer has suffered unnecessary and significant inconvenience as a result of a participant's action or inaction. We believe that any increase to the current limit for special inconvenience awards should be accompanied by guidance on how and when an award may be made to ensure that awards remain appropriate and are not used as an alternative mechanism for resolving the underlying dispute.

12 If an interest award was to be introduced how should it be calculated?

FMG believes that where financial compensation is awarded, it would be appropriate to align with IFSO's current practice and calculate interest at the 90-day bank rate, where there has been undue or unreasonable delay by a member.

13 What are the benefits and costs of the options?

Aligning to the 90-day bank rate allows for an automatic adjustment to current day rates, with clear, fair, and transparent parameters for all parties.

Timing of membership & jurisdiction

14 Are you aware of any specific situations where providers have switched between schemes resulting in the situation described above? If so, what happened?

FMG is not aware of any situations where participants have switched between schemes, impacting on accessibility for consumers, efficiency, or effectiveness.

15 Do you agree with the potential problems that may occur as a result of inconsistent scheme rules about the timing of membership/jurisdiction?

FMG recognises that there could be situations where inconsistent scheme rules about the timing of membership/jurisdiction could mean that consumers do not have access to redress, or schemes do not have the ability to sanction a former participant.

Option one: require all schemes to consider claims about current claims about current members, even if the issue arose prior to membership

16 Do you have any feedback on this option?

FMG agrees that requiring all schemes to consider claims about current members, even if the issue arose prior to membership is the most practical approach and will provide guaranteed access to a scheme for consumers. In addition to the benefits outlined in paragraph 56 of the discussion paper, this Option would also provide the most clarity for both schemes and participants, and means that time will not be spent debating jurisdiction or which rules should apply.

17 Are there any other costs or benefits of this option?

There are no other costs or benefits that we are aware of.

Option two: require schemes to consider complaints where the issue occurred when the provider was a member of the scheme, even if they are no longer a current member

18 Do you have any feedback on this option?

We agree that there would be disadvantages associated with this Option, including the potential for consumers to become confused about which scheme will hear their complaint, which should be avoided if possible. For this reason, we believe that Option one is the preferable approach.

19 Are there any other costs or benefits of this option?

There are no other costs or benefits that we are aware of.

Applicable time periods (limits) for bringing a claim

20 Do you any feedback on the problems outlined?

FMG agrees that all the issues with the current scheme time periods are valid. Inconsistent timeframes for similar products or complaints put some consumers at a distinct disadvantage.

21 Are you aware of instances of consumer harm from the problems outlined?

We are not aware of any instances of consumer harm.

Option one: limit time period I to a maximum of two months

22 Do you have any feedback on the option?

We support the proposal for all Schemes to have aligned timeframes for considering claims.

23	Are there any other costs or benefits of this option?
	There are no other costs or benefits that we are aware of.
	Option two: create a consistent time period II of three months after deadlock
24	Do you have any feedback on this option?
	As noted above, we support the proposal for all Schemes to have aligned timeframes for considering claims.
25	Are there any other costs or benefits of this option?
	There are no other costs or benefits that we are aware of.
	Option three: introduce discretion to hear a complaint after time period II
26	Do you have any feedback on the option?
	We would support schemes having a discretion to hear a complaint after time period II either in exceptional circumstances, or circumstances outside of the consumer's control. Schemes should be provided with strict criteria to consider when assessing if there are exceptional circumstances or circumstances outside of a consumer's control to ensure that there is consistency in any extension of the timeframe.
27	Are there any other costs or benefits of this option?
	There are no other costs or benefits that we are aware of.
	Option four: consistent limit for time period III
28	Of the four schemes, which way of outlining time period III is preferable? Why/why not?
	The BOS's and FSCL's approach (i.e. six years after the complainant became (or should have become) aware of the action) would seem the most appropriate to extend to all schemes. In particular, this would be the most practical option from an insurance perspective, as the time period would only commence when an insured becomes aware of the issues, which, as noted at paragraph 72 of the discussion paper, would likely be at claim time (or renewal time, given that insurance products are typically renewed annually).
29	Are there any other costs or benefits of this option?
	There are no other costs or benefits that we are aware of.

Other Comments

No further comments.