

Submission template

Treatment of intermediaries under the new regime for the conduct of financial institutions

Your name and organisation

Name	Privacy of natural persons
Email	
Organisation/Iwi	mortgagesonline.co.nz

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18. Do you have any comments on the option to prohibit sales incentives based on volume or value targets?

Yes it will be extremely hard to invest in or expand a business in an industry where the income and business to business payment can be regulated at any point.

If we assume that sales and incentives based on volume has a detrimental impact on NZer's financial health, we need to understand how this relates to business to business payments. Especially if we are looking at potential dismantling prospect of future innovation and investment.

It is sad for kiwis that an enquiry into the banking system in Australia, ends up resulting in legislation against a particular delivery method of home loans in NZ. Especially when the process happens to be favoured by a large numbers of consumers and by smaller suppliers of lending.

19. What would the likely impacts be for financial institutions, intermediaries and/or consumers of prohibiting sales incentives based on volume or value based targets?

It will by far be the opportunities lost. It is important to look at what third party distribution has enabled for NZer's.

Innovation made possible by intermediaries

Examples of innovation which has been enabled by payments to intermediaries based on linear sales incentives, where the amount of payments have been linked to the amount of potential for the supplier.

Non Pharmac Medication

One Path – which at started as “Club Life” by Naomi Ballantyne embedded in the industry access to non pharmac medication through medical insurance. Her ability to grow companies(that have meant innovation in the insurance space) is partly due to be able to scale up the sales and distribution team based on the associated cashflow.

“In her 38 years in business, Naomi Ballantyne, founder of Club Life (now Cigna) and Partners Life, has changed the face of New Zealand's insurance industry.”

<https://www.stuff.co.nz/business/better-business/123271603/fixing-the-puzzle-how-partners-life-founder-naomi-ballantyne-is-mending-nzs-insurance-industry>

““We're also very focused on the independent financial advisers who sell Partners Life policies. They are consumer advocates and many are themselves business owners and employers. Advisers are the bedrock of our industry and are often overlooked, but there is no industry without their expertise.”

<https://www.vervemagazine.co.nz/naomi-ballantyne-icon-new-zealand-life-insurance/>

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Home Loan Reduction programmes

New Zealand Home Loans setup up in 1996 by John Erkkil and Murray Ferguson has placed many NZers in a stronger financial position. Kiwi Group Holdings bought 51% of the company in 2006 and now completely own this innovative company. This business had incentives based on volume as a bedrock for the growing through infancy.

Debt Nav a corner stone of the solution provider is innovative software which helps home owners track the impact of additional payment on their home loan term. And assists in budgeting household cashflow.

It now has over 300 staff and 20,000 + clients, assisting them in managing more than \$6 billion in home loans.

1st Home Buyer help

Mortgage brokers now assist more than 30% of NZer's seeking a home loan. Some of the best assistance for 1st home buyers are provided by the third party network. Companies such as Squirrel, mortgagesonline.co.nz, Kris Pedersen Mortgages have 5 star ratings in Google. A lot of these companies offer home buyer guides and one on one assistance through the buying journey.

Many of the clients that require the most client advocacy are those that are new to the housing market.

Sample of topics covered in our own home buyer programme here

<https://mailchi.mp/monline.co.nz/68z3e2wbha>

Benefits due to healthy business to business remuneration

Current mortgage adviser market is highly competitive, the commission rates currently allows for unique value propositions for the consumer.

1. Most advisers do offer clients a no obligation service, spending 10 – 30 hours with a home buyer, without an actual guaranteed payment at the end
2. Added value – many advisers will also offer education around the home buying process
3. Allows access to financial advice and loan approval opportunities to those clients which are marginal, which may not always result in a home loan approval. Effectively those clients that get approved and drawn down pay for those who don't

Clawback in safety

Imagine buying a car from a car yard where you could return it over the next almost 3 years. The marketing risk is carried by the adviser for up to 27 months. It forces brokers to ensure that the product or service is fit for purpose. If the client moves on to another lender the adviser can risk not being paid at all or only some part of the full commission.

The behaviour of an adviser in terms of being motivated by the amount commission is mitigated by ensuring the client has the appropriate product, so that a move out of the provider is not warranted.

Client Advocacy for the most vulnerable

The less financial savvy clients see advisers as advocates. Many of these clients often will lack necessary funds to be able pay for advice by the hour.

29. Do you think that external incentives should apply to any incentive paid to an agent, contractor or intermediary? Why/why not?

Removing the ability for a business to tie in the possible sale value to the remuneration paid to a promoter or distributor can be a good way to begin to dismember an industry. Business to business payments should not be regulated.

36. Do you think it would be appropriate to exclude people who are subject to professional regulation from the definition of an intermediary (e.g. lawyers, accountants, engineers)?

Advisers are now more heavily regulated than accountants.