

9 November 2022

Submitted via: FinancialConduct@mbie.govt.nz

Financial Markets team
Building, Resources and Markets
Ministry of Business, Innovation & Employment
Wellington

RE: Exposure draft regulations on sales incentives under new conduct regime Consultation paper

Whānau should not be facing significant harm from high-pressure sales where commissions mean salespeople are incentivised to provide expensive products or services of little or no value. Such practices should be prohibited to prevent price discrimination that worsens the situation of whānau who are already disadvantaged relative to others' financial inclusion.

FinCap welcomes the opportunity to comment on the Ministry of Business, Innovation & Employment (MBIE) *Exposure draft regulations on sales incentives under new conduct regime Consultation paper (Consultation Paper)*. We welcome any action that could prevent the inappropriate sale of financial products and services because such actions can cause long term financial and social harm for whānau. We encourage strong drafting of regulation in response to policy decisions already made to ensure the benefit of whānau are front and centre in salespeoples' minds when trading.

However, we are concerned that the initial approach to prohibiting these practices will counter only some of the current issues. The exclusion of senior managers and executives from prohibition does not give us confidence that all will be focused on culture change where necessary at financial institutions. We are otherwise concerned that the narrow prohibition approach being implemented by this work stream will mean financial mentors still see avoidable issues presenting. Two current examples of conduct that needs intervention would be whānau unnecessarily having paid for junk insurance¹ or flex commissions² at the expense of kai on the table or at the expense of insurances with merit like third party or comprehensive car insurance.

We recommend bringing in a robust monitoring of financial institutions with transparent and timely reports to the public on any potential harmful sales that still arise alongside the implementation of these regulations. Where issues are still identified in such reporting more action should be taken with urgency to prevent high pressure selling of inappropriate financial products and services to whānau.

About FinCap

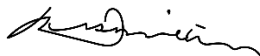
¹ See second community story on page 9 here: Salvation Army Social Policy and Parliamentary Unit (2022) *NOT ADDING UP: Spotlighting Add-on Insurance in Aotearoa*, available at: https://www.salvationarmy.org.nz/sites/default/files/files/%5Bfile_field%3Atype%5D/sppu_addoninsurance_may2022_v4.pdf

² See commentary on page 14 here: Christians Against Poverty (2022) *Vehicle Finance; Lifting the bonnet on unethical practices*, available at: https://www.capnz.org/wp-content/uploads/2022/06/Vehicle_finance_2022_f_UPDATED.pdf

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 200+ local, free financial mentoring services across Aotearoa. These services support more than 70,000 people in financial hardship annually. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

Please contact senior policy advisor Jake Lilley on 027 278 2672 or at jake@fincap.org.nz to discuss any aspect of this submission further.

Ngā mihi,



Ruth Smithers
Chief Executive
FinCap