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Submitted via: financialmarkets@mbie.govt.nz

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

RE: Effective financial dispute resolution Discussion document

Auckland Central Budgeting support the recommendations in FinCap's submission to Collapse the four financial dispute resolution schemes into one.

As financial mentors we see a lot of problematic lending and issues clients experience with creditors. We make complaints to disputes resolutions scheme on behalf of our clients. It is often a lengthy and stressful process and many clients would give up if they did not have our support. When a complaint is made it is expected that we negotiate with a creditor first to come to a resolution before the Dispute resolution Scheme can step in. Most of the time this is doable, but there are some particular lenders who make this process more difficult than is necessary.

A case that I have dealt with in my role as a Financial Mentor and taken to IFSO. It was the first complaint I have made that has not been settled with the lender before the complaints resolution authority needed to step in.

The lender that I complained about refused to accept my proposition that they had acted outside of the law when lending to my client who was in throughs of a gambling addiction, spending excessive amounts of money at the casino. This was very clearly illustrated in the clients bank statements.

A deadlock letter needed to be issued by the lender before IFSO could take any action, I was expected to request this.

This request was ignored by the lender, and took much prodding to have it produced, this would have been problematic for my client to do himself.

Sometime after IFSO were able to open their investigation, the lender made an offer to wipe all interest and fees, and allow my client to repay the remaining balance at an affordable rate over an extended period. Which is in line with many other settlements where there have been CCCFA breaches.

This was termed a "one off commercial decision" and the lender did not accept any fault. I was told by IFSO that the offer was the same outcome that would be achieved if they were to make a ruling, so we accepted.

The Disputes Resolution Scheme did not encourage a resolution that would have seen acknowledgement of fault by the lender. We were not encouraged to consider any compensation for the harm that this lending had caused my client.

The lender did not informally or formally accept any fault, no acknowledgement of fault or the harm that was caused, so does this mean they carry on with the same kind of behaviour? Of course we have seen this lender to continue to lend irresponsibly and they have been reported to the Commerce Commission.

As an alternate example, with a recent complaint made to the Banking Ombudsman we were encouraged in the very first engagement to consider the (monetary) harm and inconvenience caused and if any compensation for this is appropriate.

There is a perception that because the schemes are funded by the members that there is bias at play when decisions are made, and that some members may choose the scheme accordingly, this may not be a correct perception, but it would potentially be alleviated with the formation of just one disputes resolution scheme.

The deadlock letter requirement adds an additional barrier and that there are some questions around whether resolutions can be expanded beyond what has been illustrated above to provide fairer outcomes for people who have who have been victims of breaches of the lender responsibility requirements. With other DRS a deadlock is required to investigate, but the issuing of the letter is not an essential, which makes the process much smoother.

As financial Mentors we spend a lot of time and energy making complaints about irresponsible lending, it is practically a full-time job given that a high percentage of the clients that seek our help are struggling with oppressive and unaffordable debt. We need robust laws to protect people accessing credit, and these need to be enforced.

Effective financial dispute resolution schemes are part of this system.

Auckland Central Budgeting support the recommendations in FinCap's submission to Collapse the four financial dispute resolution schemes into one.

Introducing our organisation and community

Auckland Central Budgeting has been in existence for over 35 years, we provide free financial mentoring services to the Auckland Central community. Between 15.05.23 to 15.05.24 we had 1213 clients on our books, The majority of our clients are working part-time and receiving additional support from Work & Income. The second largest cohort are unemployed and are receiving a jobseeker benefit, sole parent, or supported living payments from Work & Income as well as income support from the IRD. We also see many clients who are in full time work but are struggling with their finances.

We help with, managing day to day finances, goal setting, planning and debt relief. Most of the people we help are struggling with their finances in some way, a lot of the time this is due to the use of credit that has become unmanageable. We are able to support clients with a number of debt solutions, including access to micro finance, creditor negotiations, debt write offs, and insolvency options. We encourage learning and teach clients their consumer rights and how to negotiate for themselves if they are willing and able. We can help people understand their money, both as a negative (unmanageable debt / credit) and as a positive (planning, saving). We can help them set a budget and learn to measure their money so they compare their actuals to their budget.

Conclusion

Thank you for considering our submission.

Please contact Myself via email **Privacy of natural persons** to discuss any aspect of this submission further.

Ngā mihi,
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Auckland Central Budgeting.

