



Banking Ombudsman Scheme

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

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19 June 2024

To the Finance Markets policy team

Effective financial dispute resolution

We appreciate the opportunity to respond to the discussion paper on effective financial dispute resolution. We fully support the objectives of the reforms, particularly as they relate to:

- improving consumer access to financial dispute resolution services
- improving the effectiveness of those services
- strengthening the accountability of financial dispute resolution schemes
- raising consumer awareness of the schemes.

We agree that the government should assess the impact of the new regulations, the proposed merger of two of the four financial dispute resolution schemes, and any other improvements proposed in this document before considering changes to the overall scheme model.

We would be happy to explain any aspect of our submission in further detail if required.

About the scheme

The Banking Ombudsman Scheme was established over 30 years ago as an independent service for customers to resolve problems with their bank. We are an approved dispute resolution scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

Our scheme covers retail banks, which collectively provide banking services to most New Zealanders. Our scheme offers a specialist service that is well known and does not compete or overlap with the other schemes (the overlap being rather between the other schemes in the areas of financial services and insurance). We provide consumers with specialist expertise and advice to assist resolve banking issues.



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We perform two distinct but connected roles. One is to resolve customers' problems fairly and quickly, and the other is to prevent them from happening in the first place. Appendix A provides further background about the scheme.

Improving consumer awareness of, and access to, dispute resolution

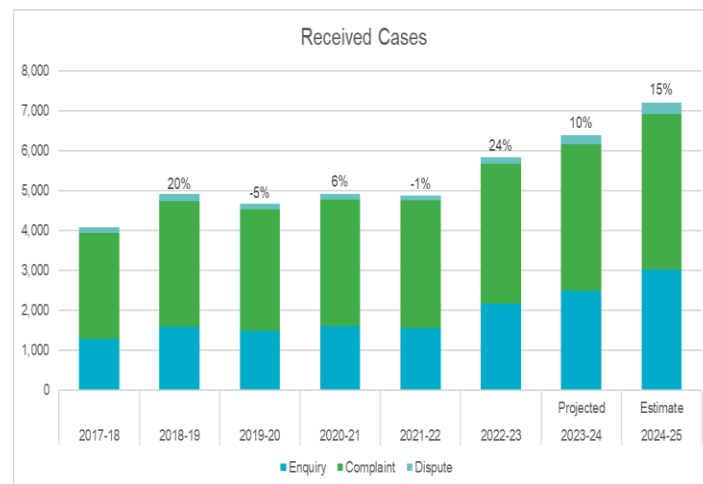
It is critical people know about dispute resolution services and find them easy to use. One of our top priorities is to ensure we remain accessible to, and can help, those who need us. There is relatively high consumer awareness of, and access to, our scheme. However, we support further measures to improve awareness and access to financial dispute resolution services.

Awareness survey results

MBIE measures consumer awareness of financial dispute resolution schemes by surveying consumers every two years. Our scheme was the most well known by a significant margin in the last survey. The results of a Consumer NZ awareness survey in April 2024 also showed awareness of our scheme was high, at 53 per cent of all respondents. More than half of the general population is aware of our scheme. There is a strong correlation between age and awareness. Minority ethnic groups tend to have lower awareness of all schemes.

Case volumes

Total case volumes are increasing. We project a 10 per cent increase by the end of the financial year. We expect to see a steady increase in demand for our services as awareness grows and the economy slows. Fraud and scam cases continue to dominate our caseload.



* Total cases will be less than the total of enquiries, complaints and disputes because some cases move through several or all of these stages but are counted as only one unique case.

Demographic information

We collect demographic information from those who use our services. We recently enhanced the way we gather this information. We ask for age, gender, ethnicity and the region in which the complainant lives. The responses, which are voluntary, suggest we are accessible to a wide range of customers, although we see opportunities to improve access in specific groups. Appendix B shows the demographic make-up of those who access or service in terms of gender, age, ethnicity and region.

Broadening our reach

Broadening our reach and making our services easy to use are key areas of focus. Our website includes information in 10 languages about how to access our services. Website content is in plain English for maximum readability and reach. We offer more than 42 consumer guides on common banking topics and related case studies. We have simplified our online complaints form, and we have seen an increase in people using this channel to contact us. We also take complaints by letter, email, telephone, Facebook, live chat and in person.

Technology has given some consumers instant access to information to manage their banking affairs and, if necessary, make complaints. But there are vulnerable consumers who are not as informed and do not make use of our services. To address this, we work with a range of community and government organisations that support consumers.

Financial mentors, Citizens Advice Bureaux and other community services help connect vulnerable and disadvantaged members of the community to schemes such as ours, and to other support services where needed.

Together with the other financial dispute resolution schemes and Utilities Disputes Limited, we work with these groups to raise awareness to ensure consumers have access to effective redress. We support further measures to enhance consumers' access to consumer advocates and dispute resolution schemes.

Provide clear information to consumers

We support providing more information, advice and direction to consumers (or those who support them, such as financial mentors). All banks are required by our [rules](#) to have effective complaint handling procedures and provide information to their customers about their complaint process and our scheme. We recently strengthened the requirements on banks to make available information about their complaints processes and our scheme. In 2022, we changed our participation criteria to ensure banks provided information about their complaints process – including our independent resolution service – on widely used customer channels. Banks must now promote our services on mobile banking apps, internet banking sites, bank websites and in branches.

A single access point

We have worked with other dispute resolution schemes to improve access, including adopting a “no wrong door” approach to ensure consumers are handed over to the correct scheme and do not need to repeat their story or fill in more forms. We will continue to collaborate with the other schemes to promote ease of entry and improve consumer accessibility. We consider a “single front door” complaints website and helpline may help customers access industry-based dispute resolution services, including financial, utilities, and telecommunications.

Enhancing scheme effectiveness through improved oversight and accountability

Improving the consistency of independent reviews

We are currently required to commission an independent review of our operations every five years and provide a report to the Minister in accordance with section 63(q) of the Financial Service Provider (Registration and Dispute Resolution) Act 2008. The last [review](#) found the scheme to be highly effective and to operate with integrity and professionalism. A [summary](#) of recommendations and scheme responses is available on our website.

We have engaged Deborah Hart to [undertake the review this year](#). Deborah is well placed to examine our progress against the previous recommendations. She will review the scheme against its strategic plan and the principles listed in section 52(2) of the Act, namely accessibility, independence, fairness, accountability, efficiency and effectiveness. The final report will be published by the end of this year.

We support consistency in how schemes carry out independent reviews. We support a single review of all four schemes in the future, noting our five yearly independent review is under way.

More common scheme rules

We support the Government setting rules across the dispute resolution schemes to improve consistency and effectiveness. Among them are requirements to report on timeliness, case studies, systemic issues and best-practice standards. We support the collection of, and reporting on, key metrics (targets or standards) in annual reports. We already include the proposed metrics (resolution rate, consumer satisfaction and the number and outcomes of complaints) in our annual report.

Independent governance of schemes

We do not consider the government needs to make changes to ensure the effective and impartial governance of our scheme. The composition of our board is set out in our constitution and gives equal representation to banks and consumers, with the independent chair having the fifth – and, where necessary, deciding – vote. Other schemes also have equal numbers of industry and consumer representatives, plus an independent chair. The presence of senior banking and consumer representatives gives the board the expertise and credibility required to gain access to senior levels of the government and industry, particularly regarding prevention-related work. A prime example was our ability last year to fund, create and broadcast the documentary series *You've been scammed by Nigel Latta* within six months of the idea being mooted by the board. This highly successful series has reached more than a million viewers since it went to air in July last year.

Two further points are worth noting. First, board members, and particularly the banking chief executives, have absolutely no role in the resolution of complaints; theirs is a governance role only and they well understand their obligations as directors to act in the interests of the scheme and not their own organisations. Secondly, industry's funding of the scheme and the inclusion of two banking chief executives on the board in no way compromise the scheme's independence. In short, the governance and operation of our scheme complies with [international principles of good practice](#)

Consolidation of schemes

We strongly agree that the impact of regulations to align the scheme rules, along with any other improvements proposed in the document, should be assessed before considering further changes to the current scheme model. We consider the merger of two of the overlapping and competing schemes will significantly reduce confusion about which scheme to contact and improve access to financial dispute resolution services.

We think the new regulations and the further proposals (including the consolidation of two of the schemes) will go some way to achieving the stated objectives in the discussion paper at minimal disruption or additional cost.

We do not support significant structural change because the sector has yet to experience the benefits of the pending changes, including the proposed merger of two schemes and harmonisation of scheme rules due to take effect this year. Nonetheless, we would be happy to discuss the matter further if you so wish.

Conclusion

We fully support the objectives of the reforms to improve consumer access to, and the effectiveness of, the financial disputes resolution system. Overall, we think the proposed changes will achieve the stated objectives in the discussion paper.

Yours sincerely

Privacy of natural persons

Miriam Dean CNZM QC
Chair

Privacy of natural persons

Nicola Sladden
Banking Ombudsman

Appendix A: Details of our work

Our scheme was established 30 years ago as an independent service for bank customers to use to resolve problems with their bank. We are an approved dispute resolution scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. Our 2022-23 summary annual report can be found [here](#). We have two distinct but connected roles. One is to resolve customers' problems fairly and quickly, and the other is to prevent them from happening in the first place.

Resolving problems

We try to sort out most problems immediately and refer the rest to the bank concerned. If the customer is not happy with the bank's response, we investigate and try to facilitate a solution or, failing that, make a formal decision. When considering complaints, we apply the relevant laws and industry standards in force at the time of the complaint.

We can award compensation for direct financial loss, and inconvenience, stress or other intangible impacts. Banks are bound by our decisions, but customers can choose whether to accept them. Customer satisfaction with our service has averaged at least 80 per cent over the past five years.

This approach to dispute resolution is used successfully in many other industries and jurisdictions. It provides consumers with a free, fair, simple and speedy alternative to court action.

Preventing problems

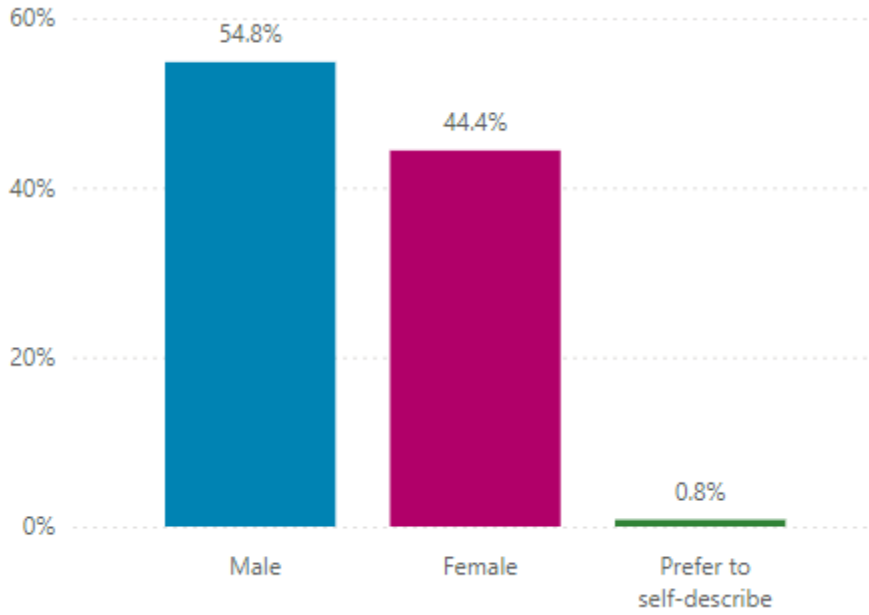
We share lessons from our cases in a variety of ways. We publish cases and guidance on our website and send insights to banks monthly so they can improve their systems and services. We also share insights through presentations to consumer and community groups, at industry and consumer forums, via the news and social media, and through submissions on policy matters. We have also begun publishing detailed information about all complaints received by banks on a [dashboard](#) accessible via our website.

We actively monitor our cases to identify issues that could have a wider impact for other bank customers. We share complaints data with regulators so they can maintain an industry-wide view of complaint trends. We also meet regularly to discuss emerging trends.

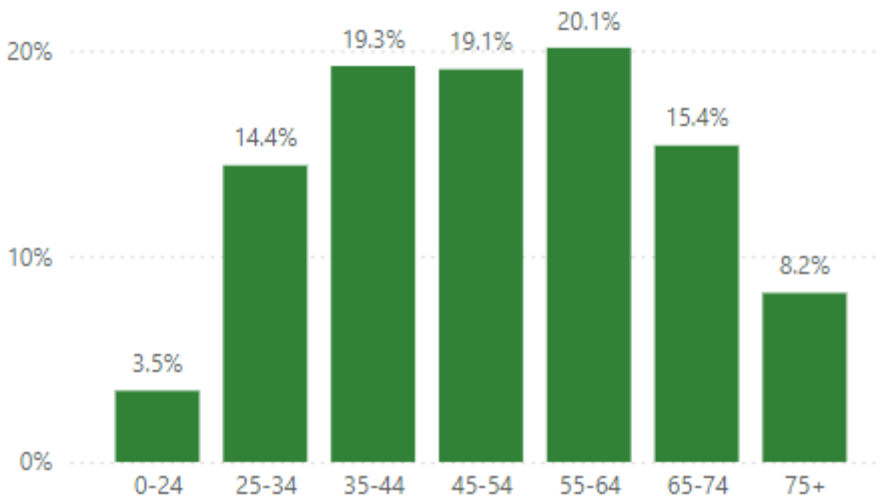
Our [systemic issues protocol](#) outlines our approach to identifying, resolving and reporting systemic issues. Outcomes from our systemic issues investigations include, among others, monetary refunds for other customers, amendment of standard letters, improvements to processes and procedures, better communications to customers, improved staff training, and improved complaints management.

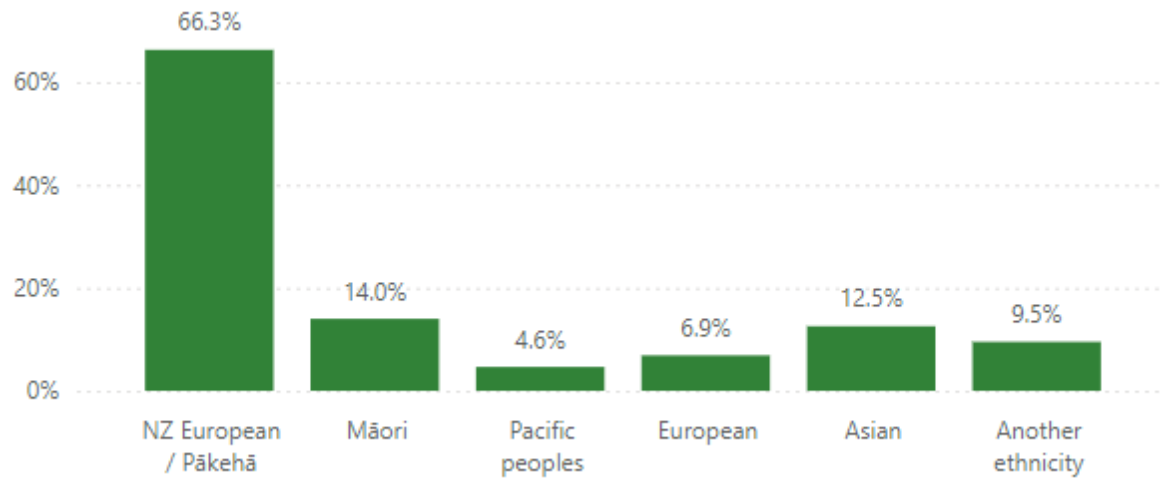
Appendix B: Who uses our services

Gender:



Age:



Ethnicity:**Region:**

Region	2019-20	2020-21	2021-22	2022-23	2023-24
Auckland Region	33.26%	32.18%	34.06%	34.88%	38.41%
Bay of Plenty Region	4.19%	5.10%	4.76%	4.92%	5.20%
Canterbury Region	9.67%	11.02%	12.49%	11.36%	12.01%
Gisborne Region	0.74%	0.57%	0.71%	0.62%	0.46%
Hawkes Bay Region	2.94%	2.16%	2.41%	2.18%	2.75%
International	7.52%	8.44%	8.27%	6.96%	2.83%
Manawatu and Whanganui	4.81%	4.79%	3.83%	3.93%	4.67%
Marlborough and Nelson Region	1.92%	2.37%	2.14%	1.99%	1.30%
Northland Region	5.71%	3.35%	3.40%	4.31%	3.29%
Otago Region	3.79%	4.02%	3.07%	3.93%	2.98%
Southland Region	1.64%	2.88%	1.75%	2.08%	0.99%
Taranaki Region	2.38%	1.75%	2.25%	2.08%	1.38%
Tasman Region	0.45%	0.31%	0.44%	0.80%	0.92%
Waikato Region	7.07%	8.03%	7.34%	7.34%	8.49%
Wellington Region	12.95%	12.51%	12.60%	11.64%	13.93%
West Coast Region	0.96%	0.51%	0.49%	0.99%	0.38%