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Secretariat
Finance and Expenditure Committee
Parliament House
Wellington

SUBMISSION: Financial Service Providers (Registration and Dispute Resolution) Bill

Background

The Federation is a collective of community organisations that share a common code of ethics, philosophy, and commitment to delivering quality, free budgeting advice to families/whanau and individuals. The current membership comprises 142 budget services throughout New Zealand that employ over 1200 predominantly volunteer staff and represent more than 30,000 clients annually.

Snapshot

The Federation comprises a total of 149 members in various categories nation-wide. Member services provide budget advice from Kaitia to Invercargill and, including the West Coast, Great Barrier, and Waiheke Islands, provide coverage to most towns and cities in New Zealand. In the year to 30 July 2006, the Federation personnel included 706 certificated budget advisers, 173 service coordinators and staff, 307 other volunteers, 36 Federation tutors, and 104 community educators. Over that 12 month period, Federation services fielded 244,825 enquiries, worked with 30,748 client families, and delivered almost 700 education programmes to the community.

It is from this depth of community knowledge and experience in the consumer finance sector that the Federation makes the following submission.

Introduction

1. Thank you for providing the community with the opportunity of providing feedback on the Financial Service Providers Bill. The Federation, on the whole, endorses the proposed approach in the bill.

Submission

1. The Federation strongly endorses the Bill's preferred option of **multiple industry-based resolution schemes**. The Federation would, however, like to make the following points for consideration:
2. Under 'Impacts on consumers' the Bill suggests that financial providers would pass any additional costs through to consumers. Financial providers (and financial advisers) offering pro-bono advice to consumers do not have this luxury. The Federation would like the Committee to consider this compliance cost and consider setting up an alternative funding source for pro-bono providers and advisers to utilise.
3. The Federation believes that the consumer awareness-raising aspect of the scheme is especially important. All consumers of financial products and advice should be explicitly informed of the potential for redress through the appropriate scheme. This should be made a

mandatory requirement for offering a financial provider service to the public.

4. The Federation notes again, however, that for pro-bono providers and advisers that this creates another new compliance cost that cannot be passed on to their customers. Again, the Federation would like the Committee to consider some sort of fund to off-set these costs (at least in the first few years).
5. The Federation specifically endorses the ability of an approved professional body to register providers of financial adviser services as this is would be a cost-effective process.
6. The Federation believes that a multiplicity of small schemes would not be in the interests of consumers. An industry-based option must have some flexibility for allowing smaller schemes to operate but the Federation believes that the Registrar should be very careful not to allow too much duplication of schemes to occur.
7. The Federation believes that there should be limited capacity for providers to move from one scheme to another. The Federation does not want to see an environment where schemes compete against each other for members based on cost and/or quality. This sort of competition would not be in the best interests of consumers. Once an industry-based scheme is established and members join it then the Registrar should consider very carefully whether or not it allows a new scheme to begin.
8. The Federation strongly believes that there should be absolutely no cost to the consumer to seek redress through a scheme. Making a complaint requires considerable effort and time for a consumer. Those who are making a complaint are likely to have or perceive to have had financial loss or hardship because of the actions of the provider. The imposition of a charge or fee would be placing a further burden on them.
9. Finally, we strongly urge that the register be in place and in force in the shortest possible time rather than the four year time lag. If, as is suggested in the Bill, that industry is behind the idea of joining industry-based resolution schemes then there should be little problem in tightening up the proposed timelines and having the Registrar taking applications for approval by the end of next year at the latest.

Call to Action

The Federation is very keen to work with official in the area of alignment of the regulations relating to the not-for-profit sector provision of financial services. We have nearly 40 years of experience in this field and are keen to share this. We have made several offers to the Ministry of Economic Development but to date these have not been taken up. Our Chief Executive Officer, Raewyn Fox, is keen to engage on this matter and will make herself available to progress this further.

Yours sincerely

Jarrod Rendle
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NZFFBS Inc.