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Ministry of Consumer Affairs
PO Box 1473
Wellington

**SUBMISSION: Proposed Reserve Dispute Resolution Scheme under the
Financial Service Providers Act 2008 - Discussion Paper**

Background

The Federation is a collective of community organisations that share a common code of ethics, philosophy, and commitment to delivering free, high-quality budgeting advice to families/whanau and individuals in Aotearoa-New Zealand. The Federation has been incorporated since 1979 and has provided free budgeting advice as a collective for almost 50 years.

Snapshot

The Federation comprises a total of 149 members in various categories nation-wide. Member services provide budget advice from Kaitaia to Invercargill and, including the West Coast, Great Barrier, and Waiheke Islands, provide coverage to most towns and cities in New Zealand. As of 30 July 2008, Federation personnel included 670 certificated budget advisers, 224 service coordinators and staff, 597 other volunteers, 17 Federation tutors and 193 trainee advisers. In the 12 months to 30 July 2008, Federation services fielded over 293,000 enquiries, worked with more than 29,000 client families, and delivered almost 500 community education programmes.

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 discussion document. The Federation, on the whole, endorses the proposed approach in the document and would like to offer the following amendments for consideration:

Submission

1. Standards

The reserve scheme must not undercut or undermine in any way the current standards set by the existing schemes (banking ombudsman scheme and insurance and savings ombudsman scheme). Also, as many members of a reserve scheme are likely to be sole traders or fringe lenders it is important that the scheme's standards set out very clear obligations and requirements for its members.

2. Compensation

Compensation under the reserve scheme must be the same as the existing schemes. Otherwise an industry conflict will be created where clients of a member in the reserve scheme may have comparatively reduced compensation available to them. Also, service providers may well opt for the reserve scheme to limit their own possible liability.

3. Definition of a complaint

The following wording is offered as an enhancement to the definition of a complaint in Paragraph 44:

“Any expression of dissatisfaction or concern about a service or a product provided by a member company for which the complainant implicitly or explicitly expects redress (remedial action or compensation) and has not received satisfactory resolution.”

3. Member’s Obligations and Compliance

Our experience in the sector tells us that some members of the existing schemes do not always provide full written disclosure of their obligations under the scheme. They also do not inform clients of their right to take a complaint to the relevant scheme or how a complaint can be laid. Therefore:

In Paragraph 45 it should be specified that members are obligated to provide full written disclosure informing their clients of their right to take a complaint to the scheme and how a complaint can be laid;

In Paragraphs 57 and 58 there is a requirement for more detail on member’s obligations to disclose information about the scheme and the expected best practice of scheme members if a dispute arises;

Also, in terms of best practice, a basic ‘code of rights’ and complaints procedure should be developed by the reserve scheme and members of the scheme should be required to display this information at the premises and/or within one click of the homepage of the member’s website and ensure each client is made aware of this information. Compliance with this should be monitored regularly by the scheme and members should be required to report each year on their processes in relation to a list of key compliance measures; and

In Paragraph 59 it would be useful to set out the range of actions which can be taken by the scheme if a member commits a breach of their obligations. Where material breaches are committed the scheme should provide for financial penalties for members. In the discussion document there is currently only reference to annual reporting and the potential loss of scheme membership for breaches of the scheme rules.

4. Accessibility

Phone access to the reserve scheme should be free, including for calls made from a mobile phone, so that cost is not a barrier for client’s to make a complaint.

Call to Action

The New Zealand Federation of Family Budgeting Services Inc thanks the Ministry of Consumer Affairs for offering it the opportunity to make this submission on the discussion document.

The Federation asks the Ministry to carefully consider the points raised in this submission and incorporate the changes offered, where it finds appropriate, into its plans.

Yours sincerely

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