

Submission on discussion document: *Effective financial dispute resolution*

Your name and organisation

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Organisation (if applicable)	Presbyterian Support Otago (Family Works)
Contact details	Privacy of natural persons

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Responses to discussion document questions

Issue 1: Consumer awareness of and access to dispute resolution

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| 1 | <p><i>Do you think there is a problem with low consumer awareness and access to dispute resolution?</i></p> |
| | <p><i>Yes. Addressing and preventing significant harm to vulnerable borrowers should be a priority as they are often the least likely to know about and access dispute resolution options.</i></p> |
| 2 | <p><i>Do you think the recent increase in the volume of disputes indicates better awareness and access to the schemes?</i></p> |
| | <p><i>Partially. Our Financial Mentors at Presbyterian Support Otago like other Financial Mentors across the country have long worked with the Commerce Commission and other dispute resolution options both addressing and preventing significant harm to vulnerable borrowers. More focus and specific multi-media campaigns are needed to reach those most affected in our communities. Note, that in February 2024 the Commerce Commission reported it had taken action on 79% of the complaints assessed from financial mentors that were received in the previous quarter.</i></p> |
| 3 | <p><i>What are the barriers for consumers in accessing financial service providers' internal complaints processes?</i></p> |
| | <p><i>Firstly, Shame and fear about the financial distress, debts etc that they have incurred and not knowing that these complaints processes exist or how to access and understand the processes and what it all means. Also, the confidence to navigate the complex process and understand the associated jargon to address their situation.</i></p> |
| | <p><i>The significant and obvious imbalance of power between people who are experiencing hardship and financial services needs to be recognised and actively addressed to both minimise and overcome by all dispute resolution schemes.</i></p> |
| 4 | <p><i>What are the barriers for consumers in accessing dispute resolution schemes?</i></p> |
| | <p><i>As above for Q 3. Also time, cost of travelling and accessing an external social service agency like ours to seek a specialised service like Financial Mentoring to access the dispute resolution service and be supported through this process.</i></p> |
| | <p><i>The time it takes to reach resolution processes or prove deadlock at all schemes can see some consumers unable to avoid an insolvency procedure or KiwiSaver early hardship withdrawal, to relieve their debt spiral. A timelier resolution of their complaint could have seen them avoid these outcomes and the associated long term consequences of each.</i></p> |
| | <p><i>Inconsistency and quality issues have lead to financial mentors losing trust in some schemes.</i></p> |
| | <p><i>Some schemes do not have clear vulnerability policies or equivalent initiatives to try and ensure equitable access to their services.</i></p> |
| 5 | <p><i>Do you have any specific examples or case studies of situations where consumers have experienced issues accessing a financial dispute resolution scheme?</i></p> |

The most common issue causing financial hardship for our clients as borrowers relates to the unaffordable Buy Now Pay later loans. It is common for our Financial Mentors to report significant debt spirals occurring for people where those they support have taken out multiple loans and continued to pay them, while going without essentials e.g. food etc to keep the facilities open.

Due to the short time frame and the issues of privacy and confidentiality we cannot provide specific case examples but welcome the opportunity to work alongside FinCap and MBIE after submissions are made to provide the range of case scenarios, we are seeing from Waitaki/Oamaru, Dunedin, South Otago, Central Otago, Wanaka, Queenstown Lakes District.

Issue 2: Enhancing scheme effectiveness through improved oversight and accountability

6 *Do you think that current oversight and accountability mechanisms are sufficient to ensure schemes' effectiveness? Why/why not?*

No. We as a key social sector provider with Financial Mentors in line with FinCap including direct to schemes and through independent reviews on quality and structural issues at schemes have not observed adequate follow up. This continues to undermine Financial Mentors trust in schemes and FinCap's attempts to promote them as an option for Financial Wellbeing.

7 *Do you think that the schemes are as effective as they could be? Why/why not?*

No. Please see responses above to the previous questions. We support the recommendation by FinCap the recommendation to consolidate to one scheme.

8 *Do you agree with these criteria for assessing the options? Why/why not?*

Work needs to occur to further supplement the criteria. In support of FinCap as our national advocacy body we believe MBIE should consider whether options lead to greater consistency and relevant expertise being available to investigate all complaints and fairness for consumers.

This is because there is trust is being undermined due to the inconsistency in approaches both within or across schemes.

Secondly, some of our Financial Mentors are frustrated that some models for resolution fail to see helpful expertise on financial services at a scheme. Comments have been made that accessing a dispute resolution is like a 'lucky dip' as to whether a client/consumer will get a staff member that has the expertise and knows what they are doing.

Thirdly, some resolutions processes are simply unfair i.e. expecting clients and our Financial Mentors to provide response to very complex time intensive issues in unrealistic time frames while lenders are granted extensions to respond and have dedicated legal staff with legal expertise to respond.

Status quo: Retain existing model and monitor the impact of aligning the schemes' rules

9

Do you think that the new regulations will be sufficient to achieve the objectives set out above?

No. As stated previously we recommend work to consolidate a single scheme is actioned. It is important to note that application of rules vary across schemes and some schemes now have longer time frames which reduces the chances of a client/consumer making a complaint.

Option to address issue 1: Supporting consumer access and awareness of schemes

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Which of the options we have described above would be most effective to support consumers to resolve issues with their financial service provider?

Urgently Increase Funding To Financial Mentors

Increasing funding to agencies who employ Financial Mentors like ours would improve access to dispute resolution for clients and whanau who need this service the most. MSD who fund Financial Mentors have recently moved to a full-time equivalent model which should create clearer flexibility for financial mentors funded in this way to be available to support someone all the way through a full dispute resolution process. Unfortunately, fewer Financial Mentors will be receiving this more sustainable funding and FinCap had recommended a \$13.8 million increase in funding from government for currently operating financial mentors to sustainably meet demand in Budget 2024. Unfortunately, this was not successful which has a very real detrimental impact on clients meaning less client and their whanau will be able to access dispute resolution. We strongly recommend alongside FinCap an increase in funding for financial mentoring from government and support a wider industry partnership to contribute to the both the 'business as usual' financial mentoring and the continued rising demand for intensive financial mentoring and supporting clients through the dispute resolution services.

Fund the financial rights legal service pilot proposal

Alongside FinCap we strongly recommend that government funds the Community Law Centre's o Aotearoa pilot of a financial legal rights services and its associated benefits i.e. building confidence and capability of community services to identify complaints, access dispute resolution service and engage effectively with the process.

One Contact point

As per previous comment create a single scheme approach potentially with a shared early resolution team.

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What are the likely costs of implementing these options?

	<i>As a FinCap member Fincap has calculated that further investment of \$13.8 million per annum will sustainably maintain the many benefits of financial mentors being available to support clients and their whanau to navigate options for financial well-being.</i> <i>We also strongly support and endorse the Community Law Centres o Aotearoa proposed pilot of a financial legal service costed at \$76,000 over 2 years.</i> <i>We would anticipate and support FinCap's view that savings and efficiencies would be achieved by moving to a single dispute resolution scheme.</i>
12	<i>Should these options be led by government, or the schemes themselves?</i> <i>Schemes should be directed by government to consolidate to a single service.</i>
13	<i>Are there any other approaches that would improve consumer access to and awareness of dispute resolution options?</i> <i>As per previous responses as outlined above.</i>
<i>Option to address issue 2: Enhancing scheme effectiveness through improved oversight and accountability</i>	
14	<i>Do you think that there is a need for dispute resolution schemes to be more accountable?</i> <i>Yes. As stated earlier some of the dispute resolutions models are not client centric and can further entrench a power imbalance between clients/consumers and the service.</i>
15	<i>Do you think there are issues with the performance or effectiveness of the schemes?</i> <i>Our Financial Mentors experience continued frustration in this space and are not confident that schemes will be consistently effective in for resolving an issue for clients and whanau needing support and a resolution.</i>
16	<i>Do you think there should be consistency in how the schemes carry out independent reviews? What would be the best approach for achieving this consistency?</i>

17	<i>Yes. Consolidation to a single scheme needs to be a priority. We support FinCap's recommendation that a single reviewer, appointed by government, simultaneously conducts an independent review of all schemes with a public report.</i>
	<i>Do you think government should set further scheme rules? If yes, what areas of the scheme rules should be set by government?</i>
18	<i>Yes. We support government intervening with minimum best practice standards for scheme rules. We support FinCap's points in Q 17 and particularly want to strong endorse the scheme has a vulnerability policy and that the service is very accessible with early resolution support.</i>
	<i>Do you think it is necessary for government to make changes to ensure effective and impartial governance of the schemes? If yes, what changes would best meet this aim?</i>
19	<i>Yes. We strongly recommend MBIE ensure a wider range of both consumer/client expertise in governance and subject matter expertise across the diverse industries and look to overseas jurisdictions that have led to effective schemes.</i>
	<i>Do you think the schemes should have to report against performance targets or standards? If yes, how should these standards be reported and what metrics should be used?</i>
20	<i>Yes. Schemes should have to report again clear standards and targets at least quarterly or more frequently if they are underperforming.</i>
	<i>Are there any risks or unintended consequences associated with the options we are considering?</i>
21	<i>A key risk would be not enough oversight or accountability to ensure the intended outcomes. Transparency is key and having clear mechanisms for both government, industry and community agencies to raise concerns that dispute resolutions schemes are not delivering changes would assist with reducing risks and unintended consequences.</i>
	<i>Will any of these proposals result in significant additional costs for the schemes, scheme participants and/or consumers? If yes, please describe the magnitude of these costs.</i>
22	<i>It is unclear at this point. However, if a single resolution service is actioned and results in a more effective and efficient service leading to better outcomes then less cost both time and money on clients/consumers and dispute resolution and financial mentors would definitely achieve cost savings.</i>
	<i>Are there any other ways to improve schemes' accountability and effectiveness?</i>
	<i>Please refer to our comments in earlier sections.</i>
<i>Other options</i>	

Add23	<i>Do you agree that the impact of regulations to align scheme rules, along with any other improvements proposed in this document, should be assessed before considering changes to the current scheme model? Why/why not?</i>
	<i>As outlined earlier consolidating to a single financial dispute resolution scheme is our strongest recommendation in line with FinCap as our peak body.</i>
24	<i>Are there any other areas and options for change that we should consider that have not been addressed in this discussion document?</i> <i>Financial disputes resolution schemes are vital for our financial mentors to work alongside our clients and whanau to have a voice, a fair, equitable and transparent scheme to achieve both financial justice, financial inclusion and address and obtain solutions to financial harm leading to greater financial well-being.</i>

Other comments