



FINANCIAL SERVICES FEDERATION

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Education Consultation
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Thank you for the opportunity for the Financial Services Federation (“FSF”) to comment on the skills leadership role of Industry Training Organisations.

By way of background, the FSF is the industry body representing the responsible and ethical finance and leasing providers of New Zealand. We have nearly sixty members and associates providing financing, leasing, and credit-related insurance products to more than 2 million New Zealanders. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A.

Firstly, the FSF does not believe that the consumer credit part of the financial services sector has been well-served by ITOs in terms of their role to focus mainly on arranging training and setting standards. The finance sector as a whole (which includes credit providers, financial advisers, brokers and the like) has never had a dedicated ITO and the function to provide any training or standards setting fell originally to the Electrotechnology ITO (“ETITO”) which became the Skills Organisation but which required a lot of work to get up to speed with understanding the financial services sector.

The Financial Advisers Act 2009 (“FAA”) required those people wishing to become Authorised Financial Advisers who would be deemed sufficiently qualified to provide investment advice or comprehensive financial planning advice, and who did not already hold an equivalent or higher qualification, to complete a Level 5 National Certificate in Financial Services.

At the time the ETITO played a significant role in ensuring those who needed the qualification to be able to continue to deliver advice had access to providers of the Certificate in order that they would be properly qualified when the FAA came into force. It is fair to say though that the setting of standards for those providers was patchy at best given the speed with which the sector needed to become compliant and the scarcity of properly qualified people or training organisations to provide this training.

Following the implementation of the FAA and as required by the New Zealand Qualifications Authority, the Skills Organisation (as it was by then) carried out a review of the qualifications they administered and two qualifications were subsequently approved by NZQA – a Level 4 New Zealand Certificate in Financial Services and a Level 5 New Zealand Certificate in Financial Services (both of these offering different strands that can make up the qualification based on the individual's preference).

In the part of the financial services sector that FSF's membership operates (the non-bank credit provider sector) neither of these qualifications are widely taken up. This is to some extent because the training in how to be a responsible lender has traditionally taken place in-house and is also aligned to a company's own credit criteria, policies and processes.

It is also to do with the fact that the two qualifications which are available are not very relevant to the non-bank finance industry as the lending or banking strand being offered is more geared towards registered banks and then towards those staff within banking institutions who are providing a higher level of financial advice than most customer-facing staff would be required to do.

They also seem not to be current or relevant to today's legislative framework. Neither of the strands or qualifications that might be relevant to FSF members refer to the Credit Contracts and Consumer Finance Act 2003 "CCCFA" which was updated in 2014. This piece of legislation is crucial for our industry.

The review of the CCCFA introduced Lender Responsibility Principles with which all lenders are required to comply (including banks). This review also included the introduction of the Responsible Lending Code, which has been written to give guidance to lenders as to how they might meet their responsible lending obligations. None of these very significant lender compliance and regulatory obligations are covered by either of the available qualifications.

Therefore the involvement of FSF members with our industry training organisation is not significant. Indeed when asked, many of our members did not know there is one for financial services or if they did, who they actually are. The questions raised in the discussion document are therefore answered on that basis as follows:

1. Should the skills leadership role be a legal requirement for ITOs?

FSF members report that it is becoming increasingly difficult for them to attract and/or retain appropriately experienced staff as it is for many other sectors in New Zealand. They believe there is a need for there to be more options available for good people they can attract to be provided with the appropriate skills to become responsible lenders but as stated above, FSF members do not believe that the qualifications provided by the Skills Organisation achieve that. This may be achieved by a combination of in-house training and from external providers.

It would be very helpful for someone to take the role of providing skills leadership in the financial services sector in order to help to meet these needs and it would seem to the FSF to be appropriate for this to be the role of a dedicated ITO.

The FSF suggests therefore that a review of ITOs and the span of their activities is also appropriate at this point. As an example the Skills Organisation provides services to set industry qualification standards and help businesses to train their staff across a vast range of industries and the FSF questions whether they are able to adequately service this diverse and largely unrelated group of sectors.

2. What should be the skills leadership functions of ITOs? Whose behaviours should ITOs seek to influence, and how? Whose interests should they consider?

The FSF believes that an Industry Training Organisation should be more than a yellow pages support and if representing an industry they need to be visible within that industry and take a proactive role in understanding the challenges and requirements of that industry. At present it is fair to say that the Skills Organisation is not doing this certainly in the case of the non-bank finance sector.

The FSF would like to see the Skills Organisation (or whatever ITO is relevant to our sector) taking a proactive approach with industry to determine what skills gaps they are experiencing and to assist with finding training providers to meet these. At present FSF does not see any ITO representation in the sector even on a reactive basis.

The FSF considers that the interests of the industry they serve should be paramount for any ITO. They should ensure they understand the issues facing the industries they serve with regard to skills requirements and work with industry and training providers to ensure that these are covered competently and to an adequate standard.

3. What other organisations should ITOs be partnering with to effectively deliver a skills leadership role?

The FSF considers that in the case of the non-bank finance sector, it would be useful for the relevant ITO to partner with the FSF as the industry body for the responsible providers in this sector and its members to effectively deliver a skills leadership role.

4. How should ITOs ensure that the needs and interests of other stakeholders are represented?

As mentioned previously in the answer provided to question 1 above, the FSF believes that the time is now opportune for a review of the ITO framework as a whole to determine whether all industry sectors are receiving the skills leadership they need as well as receiving relevant training to an appropriate standard for their sector.

It may be different for other sectors but certainly for the financial services sector for all the reasons outlined above, we are not currently well-served.

A further point the FSF would like to make in closing is that the cost of training is high and previously subsidies existed to create in-house training plans alongside an ITO to ensure they were of a reasonable standard. In an industry like the non-bank finance sector this was particularly helpful where off the shelf solutions are not always best and the company's own approach to credit assessment, credit management, hardship applications, collections etc, are taught on-the-job.

The FSF would be very happy to see consideration given as part of this review to the return of a level of subsidization for approved and relevant in-house training. A further helpful consideration would be to go back to providing subsidies for English Speakers of Other Languages training.

Thank you for the opportunity to make this submission. If you wish to discuss anything further, please do not hesitate to contact me.



Lyn McMorran
EXECUTIVE DIRECTOR

**Appendix A
FSF Membership List as at 1 April 2018**

Debenture Issuers - (NBDT) Non-Bank Deposit Takers	Vehicle Lenders	Finance Company Diversified Lenders	Credit Reporting Other	Insurance	Affiliate Members
<p><u>Rated</u></p> <p>Asset Finance (B)</p> <p><u>Non-Rated</u></p> <p>Mutual Credit Finance</p> <p>Gold Band Finance</p> <ul style="list-style-type: none"> ➤ Loan Co 	<p>BMW Financial Services</p> <ul style="list-style-type: none"> ➤ Mini ➤ Alphaera Financial Services <p>Branded Financial Services</p> <p>Community Financial Services</p> <p>European Financial Services</p> <p>Go Car Finance Ltd</p> <p>Honda Financial Services</p> <p>Mercedes-Benz Financial</p> <p>Motor Trade Finance</p> <p>Nissan Financial Services NZ Ltd</p> <ul style="list-style-type: none"> ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance <p>Onyx Finance Limited</p> <p>Toyota Finance NZ</p> <p>Yamaha Motor Finance</p> <p><u>Leasing Providers</u></p> <p>Custom Fleet</p> <p>Fleet Partners NZ Ltd</p> <p>ORIX NZ</p> <p>SG Fleet</p> <p>Lease Plan</p>	<p>L & F Ltd</p> <ul style="list-style-type: none"> ➤ Speirs Finance ➤ YooGo <p>Avanti Finance</p> <p>Caterpillar Financial Services NZ Ltd</p> <p>CentraCorp Finance 2000</p> <p>Finance Now</p> <ul style="list-style-type: none"> ➤ The Warehouse Financial Services <p>Flexi Cards</p> <p>Future Finance</p> <p>Geneva Finance</p> <p>Home Direct</p> <p>Instant Finance</p> <ul style="list-style-type: none"> ➤ Fair City ➤ My Finance <p>John Deere Financial</p> <p>Latitude Financial</p> <p>Pioneer Finance</p> <ul style="list-style-type: none"> ➤ Personal Finance <p>South Pacific Loans</p> <p>Thorn Group Financial Services Ltd</p> <p>Turners Automotive Group</p>	<p>Equifax (prev Veda)</p> <p>Centrix</p> <p><u>Debt Collection Agencies</u></p> <p>Baycorp (NZ)</p> <p>Dun & Bradstreet (NZ) Limited</p>	<p>Autosure</p> <p>Protecta Insurance</p> <p>Provident Insurance Corporation Ltd</p> <p>Southsure Assurance</p>	<p>American Express International (NZ) Ltd</p> <p>AML Solutions</p> <p>Buddle Findlay</p> <p>Chapman Tripp</p> <p>EY</p> <p>Finzsoft</p> <p>KPMG</p> <p>Paul Davies Law Ltd</p> <p>PWC</p> <p>Simpson Western</p> <p>FinTech NZ</p> <p>HPD Software Ltd</p> <p>Total : 56 members</p>