



Financial Services Federation

MEDIA RELEASE

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FSF applauds passing of Financial Services Legislation Amendment Bill to improve NZ's financial services sector

The Financial Services Federation (FSF) is pleased Kiwis seeking financial advice will be able to sleep more soundly with the long-awaited passing of the Financial Services Legislation Amendment Bill (FSLAB).

The FSF is applauding that this Bill has now been passed after a long process originally undertaken by the previous Government for its passing of the Bill.

The FSF is particularly pleased that successive Ministers of Commerce and Consumer Affairs (the Hon Jacqui Dean and the Hon Kris Faafoi) accepted FSF's recommendations to exempt consumer credit providers from the provisions of the Bill, avoiding a huge legislative double-up in the process.

Responsible lenders, as part of their obligations to comply with Responsible Lending Principles, advise customers around the suitability and affordability of their products to ensure the customer understands the terms and conditions of the loan, and ensure that they are making an informed decision to take on debt.

These principles come under the Credit Contracts and Consumer Finance Act (CCCFA), which is enforced by the Commerce Commission.

The exemption for lenders from the FSLAB is an acknowledgement that this advice is therefore already regulated by the CCCFA, and guidance as to how lenders meet these obligations to consumers is provided in the Responsible Lending Code.

To have done otherwise would have meant an overlap unnecessarily burdening regulators, businesses and their customers.

FSF's Executive Director Lyn McMorran says it is a sensible outcome for all parties.

"This is a fantastic example of policy makers listening to business and making a sensible decision that balances the ability to do business with consumer protection," Ms McMorran says.

"We are really pleased that government understood we are not trying to wriggle out of anything, that having two sets of regulations governing the same activity, two separate

regulators enforcing it and two separate Codes providing guidance on the same activity, is just simply not helpful to customers, businesses or regulators,” says Ms McMorran.

Ms McMorran says policy makers also made the right decision in ensuring brokers are captured by the Bill’s provisions, as the recent Australian Royal Commission findings illustrate that where brokers receive remuneration by way of commission from financial services providers, there is potential for conflict.

“Brokers look at a whole range of different providers and decide which products they think are best for the consumer.

“That advice must be guided by the principle that the recommended product is in the customer’s best interest, and not because it pays the highest commission.”

For all media enquiries, image and interview requests, please contact Hannah McKee at hmckee@fsf.org.nz.

Background:

The Financial Services Federation (FSF) represents responsible, non-bank financial institutions. FSF has a strict eligibility process, and all members are subject to the FSF Code of Conduct which ensures its reputation as the setter of industry standards in responsible lending. FSF members take their compliance obligations seriously, and support quality regulation that balances the ability to do business with consumer protection. Find out more about FSF Responsible Lending Code and see the full member list at www.fsf.org.nz.

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