



## FINANCIAL SERVICES FEDERATION

5 February 2021

RoVE – WDC Consultation  
Tertiary Education Commission  
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### **Service Industries Workforce Development Council: Order in Council proposals**

The Financial Services Federation (FSF) is grateful to the Tertiary Education Commission (TEC) for the opportunity to provide feedback on behalf of members on the Service Industries Workforce Development Council (the WDC) Order in Council proposals.

By way of background, the FSF is the industry body representing responsible non-bank lenders, fleet leasing providers and credit-related insurance providers. The FSF has more than 60 corporate members including finance companies providing credit responsibly to over 1.5 million New Zealand consumers and businesses and Affiliate members such as legal and accounting firms, fin-tech software providers, credit reporting agencies and debt collection agencies. A list of the current FSF membership is attached for your information as Appendix A. Data relating to the extent to which FSF members (excluding Affiliate members) contribute to New Zealand consumers, society, and business is attached as Appendix B.

The FSF is also grateful for the opportunity to have been able to attend the information session on the Service Industries WDC Order in Council proposals held last week via Zoom.

The FSF understands from that meeting that feedback is being sought specifically with respect to the name of the WDC, its governance arrangements and its coverage. The FSF therefore offers the following comments in relation to these issues as there was nothing further within the consultation proposal document on which the FSF has any comment.

#### **Name:**

The FSF has no objection to the proposed name of the WDC as being the Service Industries Workforce Development Council. Given the purpose of the WDC and the accountability arrangements under which it will operate, the FSF is comfortable that the Service Industries WDC will adequately represent both the sector's workforce and the needs of industry.

**Governance arrangements:**

Likewise, the FSF has no objection to the proposed governance arrangements for the Service Industries WDC which appear to be consistent with best practice for the make-up and appointments process of such Councils as outlined by the Institute of Directors of New Zealand in their cornerstone publication *The Four Pillars of Governance Best Practice* published in 2018.

The FSF also supports the more detailed governance arrangements that are unique to each WDC and those that are the same across all WDCs as outlined in the consultation proposal document including the criteria for eligibility for appointment, revocation of appointment of members, individual duties, accountability for performance of these duties, personal liability of members, continuation in office, management of conflicts of interest etc.

However, the FSF would like to note that there are 9 members of the services WDC - covering 14 industries. The most obvious consequence from this is that some industries will not have a representative voice on the Council. In combination with this, there does not appear to be anything precluding any one industry from having more than 1 representative. This may mean wider representation on the WD could be even less, and perhaps disadvantage those industries without adequate representation on the Council.

**Coverage of the Service Industries WDC:**

The FSF has rather more to say with respect to the proposed coverage of the Service Industries WDC which the FSF notes includes financial services.

The FSF has consistently supported the need for the Review of Vocational Education in New Zealand (RoVE) as it has long felt that financial services in particular have not been best served by the current Industry Training Organisation (ITO) structure.

At the establishment of the ITO's in 1992, their focus was more on trades and providing apprenticeships rather than the services sector. Although their function expanded over time to include a wider participation in workplace-based training, the ITO under which the financial services sector was eventually placed was originally the Electrical Trades ITO (ETITO) which later became the Skills Organisation.

It is fair to say that, particularly initially, the ETITO was poorly set up to be able to provide much value to workplace-based training in a sector such as financial services. What has evolved through the Skills Organisation therefore has been a focus on meeting industry needs for qualifications provided for in statute such as the Level 5 New Zealand Certificate in Financial Services which has been the minimum requirement to be held by financial advisers in order for them to become an Authorised Financial Adviser (AFA) under the Financial Advisers Act 2009 (the FAA).

In order to be legally allowed to provide personalised investment advice to consumers under the FAA, financial advisers were required to become an AFA and part of the criteria for doing so was the obtaining of the Level 5 Certificate.

Advisers providing advice on financial services products other than investment products (such as insurance products, mortgages, consumer credit products etc) were merely required to be registered on the Financial Services Providers Register (FSPR) and there was no prescription with respect to the need for any formal qualifications to do so.

As a consequence, the Skills Organisation quite naturally concentrated on the offering of a Level 5 Certificate appropriate to the needs of AFAs who required the qualification in order to be able to operate. The qualification has therefore had a strong focus towards the provision of investment advice, to the exclusion of other areas of financial services.

The Financial Services Legislation Amendment Act 2019 (FSLAA) has made significant changes to the financial advice regime in New Zealand and comes into force on 15 March this year. At this time the FAA will be repealed and the provisions for the regulation of financial advice in New Zealand will become part of the Financial Markets Conduct Act 2013 (FMCA).

Under this new regime anyone who provides “advice”, “recommendation” or “opinion” with respect to the suitability of a financial services product to a consumer’s needs, will be required to become a licensed financial services provider.

The exception to this requirement is the exemption in the legislation for consumer credit providers providing “advice” in the course of meeting their responsible lending obligations under the Credit Contracts and Consumer Finance Act 2003 (the CCCFA).

It has been the experience of FSF members looking for relevant industry training or qualifications in the provision of responsible credit, that there is nothing suitable currently available. Members report that they hire graduates with degrees in commerce, business studies, accounting or law who are not familiar with the CCCFA’s responsible lending obligations on credit providers nor any other aspects of providing financial services products in New Zealand such as compliance with Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) legislation.

All training in such matters has therefore necessarily been done in-house and on-the-job. The FSF is keen to foster both professionalism in the financial services sector beyond the provision of investment advice and also for there to be a recognised career path for people wanting to make the sector their career – whether or not we are required to by law.

On that basis, the FSF is keen to ensure that, this time round, the financial services sector is better represented by its vocational training provider than it has been in the past. The FSF notes with concern therefore that the proposed coverage of the Service Industries WDC includes very specific areas of wholesaling and retailing (38 in all) but only 14 financial services areas.

Further, the FSF is concerned that there is no category for responsible credit provision, finance leases, fire insurance or credit-related insurance and believes that these omissions are significant and should be included in the coverage of the WDC even to the expense of some of those categories that are currently included. The FSF notes there is a general

insurance category mentioned, however, queries as to whether this incorporates credit insurance, fire and general. An example of this is Central Banking given that the role of the central bank is important to each aspect of the financial services sector and should be covered as an overarching concept in each category as it relates to that particular part of the sector.

The FSF points to the particular need for well-trained and qualified professionals operating in the financial services sector given the crucial importance of the sector, particularly the responsible provision of credit to both consumers and businesses in New Zealand, in the country's economic recovery post COVID-19.

The FSF notes that the Government has recognised the vital role access to responsibly provided credit is to the economic recovery through the schemes they have instituted such as the Business Finance Guarantee Scheme and the Funding for Lending programme.

This is the opportunity for the right decisions to be taken to ensure the educational and training needs of this vital sector of the economy are met and the FSF is very keen to continue participation in the discussions to ensure that this is achieved.

Please do not hesitate to contact me if there is anything further with which I can help you.



Lyn McMorran  
EXECUTIVE DIRECTOR

Appendix A – FSF Membership List February 2021

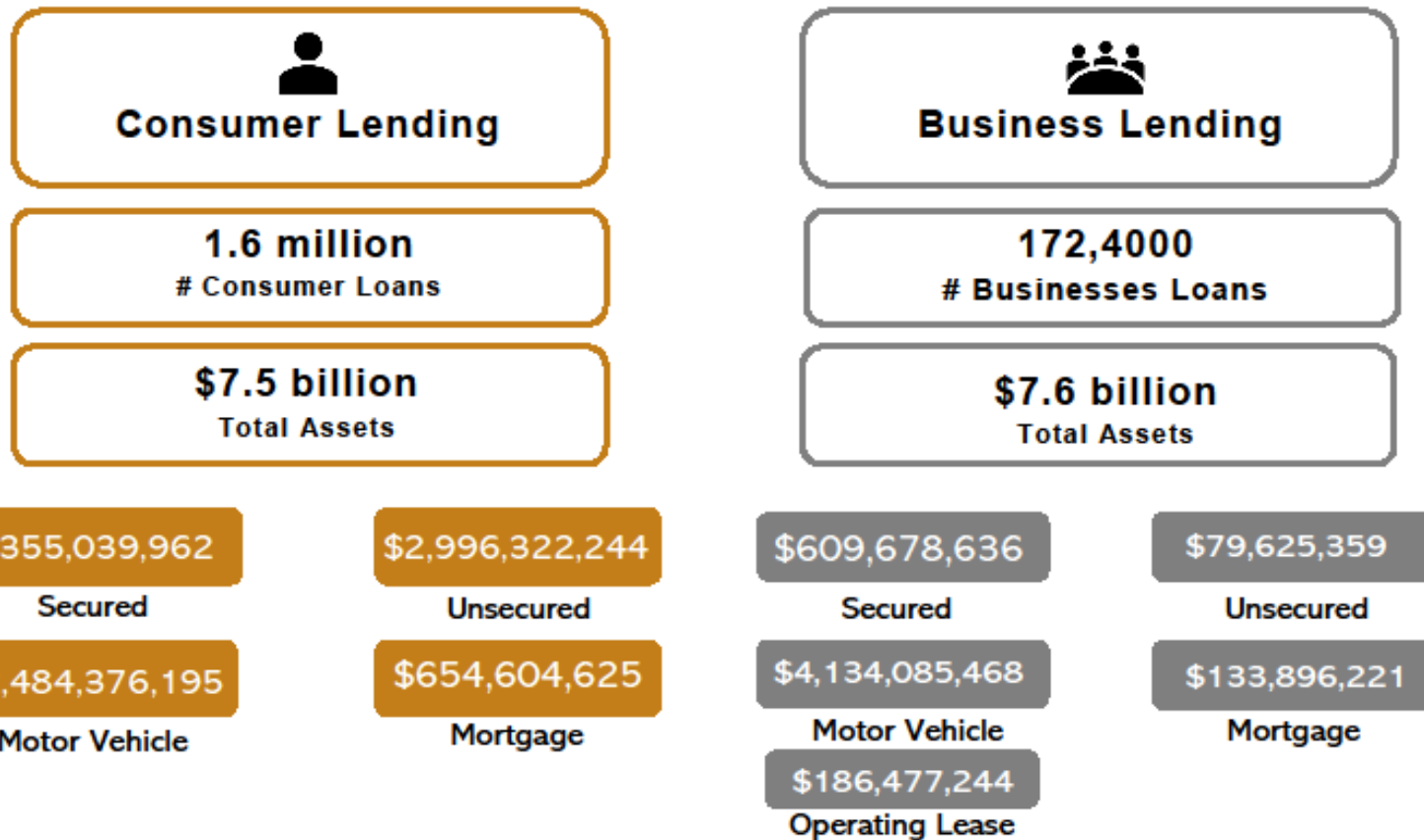
Non-Bank Deposit Takers Leasing Providers	Vehicle Lenders	Finance Company Diversified Lenders	Finance Company Diversified Lenders	Credit-related Insurance Providers	Affiliate Members
<u>Rated</u> Asset Finance (B) <u>Non-Rated</u> Mutual Credit Finance Gold Band Finance ➤ Loan Co  <u>Leasing Providers</u> Custom Fleet Fleet Partners NZ Ltd Lease Plan ORIX NZ SG Fleet	AA Finance Limited Auto Finance Direct Limited BMW Financial Services ➤ Mini ➤ Alpha Financial Services Community Financial Services European Financial Services Go Car Finance Ltd Honda Financial Services Mercedes-Benz Financial Motor Trade Finance Nissan Financial Services NZ Ltd ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance Onyx Finance Limited  Toyota Finance NZ Yamaha Motor Finance	Avanti Finance ➤ Branded Financial Caterpillar Financial Services NZ Ltd CentraCorp Finance 2000 Finance Now ➤ The Warehouse Financial Services ➤ Southsure Assurance Flexi Group (NZ) Limited Future Finance Geneva Finance Home Direct Instant Finance ➤ Fair City ➤ My Finance John Deere Financial Latitude Financial Metro Finance Pepper NZ Limited Personal Loan Corporation Pioneer Finance Prospa NZ Ltd South Pacific Loans	Speirs Finance Group ➤ Speirs Finance ➤ Speirs Corporate & Leasing ➤ Yogo Fleet  Thorn Group Financial Services Ltd Turners Automotive Group ➤ Autosure UDC Finance Limited  <u>Credit Reporting &amp; Debt Collection Agencies</u> Baycorp (NZ) ➤ Credit Corp Centrix Collection House Equifax (prev Veda) Illion (prev Dun & Bradstreet (NZ) Limited Intercoll Quadrant Group (NZ) Limited	Protecta Insurance Provident Insurance Corporation Ltd	255 Finance Limited Buddle Findlay Chapman Tripp Experian EY FinTech NZ Finzsoft GreenMount Advisory Happy Prime Consultancy Limited HPD Software Ltd KPMG LexisNexis PWC Simpson Western  Total: 65 members

Appendix B



FINANCIAL SERVICES FEDERATION

The Financial Services Federation (FSF) is the association for responsible finance and leasing companies operating in New Zealand. This infographic is a snapshot of our 40 lending members, the membership list can be found at our website [www.fsf.org.nz](http://www.fsf.org.nz).



FSF lending members data survey period as at 29 February 2020 . Data collected and aggregated by KPMG. Values in NZ\$.