



# ANNUAL REPORT

2017/2018



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**We resolve  
complaints simply  
and confidentially  
by working with  
consumers and their  
financial service  
provider to reach  
a fair outcome**

# CONTENTS

4

SNAPSHOT OF OUR YEAR

---

6

CHAIR'S FOREWORD

---

8

CEO OVERVIEW

---

10

SECTOR AND CONSUMER OUTREACH

---

12

HOW DO CONSUMERS RATE US?

---

14

CASE STATISTICS

---

18

CASE ISSUES

---

20

CASE STUDIES

---

32

BOARD DETAILS

---

33

COMPANY INFORMATION

---

34

SUMMARY FINANCIAL STATEMENTS

---

39

COMPANY DIRECTORY

---



# SNAPSHOT OF OUR YEAR

## WHO WE ARE AND WHAT WE DO

FSCL is an independent dispute resolution scheme established in 2010 and approved by the Minister of Consumer Affairs under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. Our role is to resolve complaints between consumers and their financial service provider about financial services and advice, including insurance, loans, managed funds and trustee services.

FSCL is a not-for-profit company funded by a combination of membership and complaint fees levied on its participating financial service providers. We provide our services to consumers free of charge.

FSCL's decision-making process is independent of our scheme participants and industry sectors. FSCL's CEO and staff are entirely responsible for handling and determining complaints and are not subject to external influence by any of FSCL's stakeholders.

## HOW WE WORK

We resolve complaints through investigation, working confidentially and in a non-legalistic manner to assist both sides to reach a fair outcome.

Our process is both inquisitorial and consensus-based and focuses on producing a mutually acceptable outcome. Both scheme participants and consumers are afforded an equal opportunity to put forward their cases. This is intended to ensure procedural fairness and to promote effective dispute resolution.

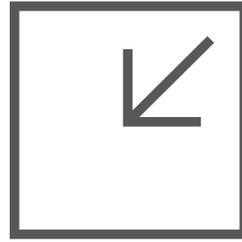
When a complaint cannot be resolved by agreement, our CEO can make a recommendation which is binding on the participant, but only if the consumer accepts the recommendation in full and final settlement of the complaint. The recommendation includes our CEO's reasons for making the recommendation.



**245**

CASES INVESTIGATED  
AND RESOLVED

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**20%**

REDUCTION IN ANNUAL  
FEES CHARGED TO SCHEME  
PARTICIPANTS

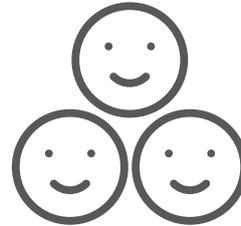
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**4,859**

CONSUMER ENQUIRIES AND  
COMPLAINTS ABOUT FINANCIAL  
SERVICE PROVIDERS

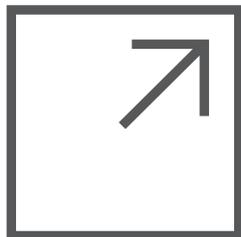
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**90%**

OVERALL SATISFACTION  
FROM BOTH CONSUMERS  
AND SCHEME PARTICIPANTS  
OF FSCL'S SERVICES

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**35%**

INCREASE IN COMPLAINTS  
FOR INVESTIGATION

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**7,100**

SCHEME PARTICIPANTS

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# CHAIR'S FOREWORD

This is my first report as independent chair of Financial Services Complaints Limited.

FSCL performs an important and useful purpose. For consumers, it provides a free and independent service for resolving complaints against financial service providers. For the financial services industry, it helps set standards for complaint resolution and service improvements. I look forward to contributing to FSCL as it continues to challenge itself to provide dispute resolution services of the highest quality.

The year has been a busy one for the scheme with a further increase in complaints and much activity on the regulatory front. It is pleasing to see that despite the increased demand on the scheme's resources, both timeliness and satisfaction standards have been maintained, as can be seen later in this report.

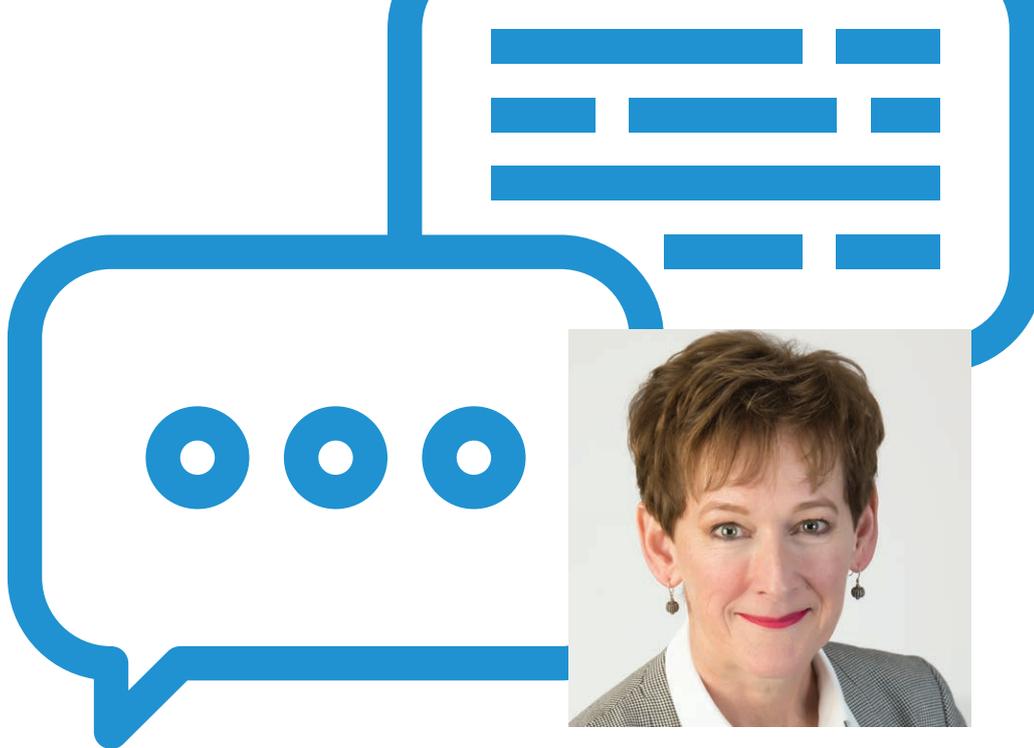
**“...A PARTICULAR FOCUS ON INCREASING CONSUMER AWARENESS OF THE SCHEME AND OFFERING SCHEME PARTICIPANTS NEW SERVICES, TRAINING AND EDUCATION OPPORTUNITIES.”**

## **A CHANGING LANDSCAPE**

There has been a lot going on in the regulatory space, much of which will have a direct impact on our work. The Reserve Bank has announced a review of the prudential supervision of insurance. The Minister of Consumer Affairs has announced reviews of insurance contract law and the Credit Contracts and Consumer Finance Act. Changes to financial services and advisers' legislation in the form of the Financial Services Legislation Amendment Bill will bring all advisers under one regulatory framework with a new code of conduct. Privacy legislation is also being reviewed and the impact of artificial intelligence, technological change in the form of chatbots, robo-advice and insurtech will undoubtedly change the framework within which we operate. It is important that we not only keep up to date with what is happening in the sector but, where we can, input into these changes.

## **STRATEGIC OBJECTIVES**

FSCL's strategic objectives were reaffirmed in 2018. They include investing in people, seeking to increase consumer awareness of our scheme, developing and offering participants one new service each year and raising our profile with stakeholders. I believe that FSCL has continued to make steady progress in meeting those strategic objectives, with a particular focus on increasing consumer awareness of the scheme and offering scheme participants new services, training and education opportunities. Further details of these are set out later in this report.



#### **USE OF OMBUDSMAN TITLE**

I am very pleased to report that earlier this year the Court of Appeal allowed FSCL's appeal against the High Court's decision. That decision had declined our application for judicial review of the Chief Ombudsman's refusal to allow us to use of the Ombudsman title.

The Board is strongly of the view that our Chief Executive Officer should be able to use the title Ombudsman. After all, FSCL has to meet the recognised ombudsman principles of fairness, independence, accessibility, accountability, efficiency and effectiveness in order to be approved as a dispute resolution scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. The Board also firmly believes that use of the Ombudsman name will assist us in raising consumer awareness of and trust in the scheme.

The Court of Appeal ordered the Chief Ombudsman to reconsider FSCL's application for use of the name. At the time of writing, we are awaiting the Chief Ombudsman's decision.

#### **ANNUAL FEE REDUCTION**

For the sixth year running, FSCL has been able to reduce annual fees for scheme participants, with a 20 percent reduction for the 2018/19 financial year.

#### **THANKS**

Our CEO Susan Taylor and her staff have a great deal of expertise in complaint resolution and in the financial services sector. I thank them for the commitment and integrity they bring to their work not only in resolving complaints, but also in the sound management of the company. Both aspects of their work contribute to the sound reputation FSCL enjoys.

I also thank my fellow directors for their continuing contribution to FSCL's governance. The Board has undergone some change this year. Raewyn Fox retired from the Board at the end of June. We are very grateful for Raewyn's strong consumer voice and focus over the past eight years that she has served on the Board. Tuhi Leef has been appointed as a consumer representative in her stead, as from 1 July 2018, and we welcome him to the Board.

Kenneth Johnston QC stood down from his role as Chair and the Board in January, following his appointment as an Associate High Court Judge. Kenneth chaired FSCL's Board for seven years. He guided FSCL in getting approval as a scheme and, as the scheme grew from about 300 to over 7,000 participants, in its growing reputation as a first-class dispute resolution scheme. Kenneth's contribution to the scheme's development has been significant and on behalf of the Board and management, we extend our sincere thanks to him. I look forward to building on that success.

**Jane Meares**  
Board Chair

# CEO OVERVIEW

It is an oft-mentioned truism that a complaint is a gift. Customer feedback provides opportunity – to identify and overcome existing problems, to develop customer-centric processes, to build loyalty, and to avoid the costs of disputes escalating.

While FSCL's role may sometimes be seen as the ambulance at the bottom of the cliff, we work as much as possible building the fence at the top. It's heartening that many of our scheme participants are taking an increasing interest in complaints and their value, and tapping into our knowledge and experiences to improve their own. This year we've been asked to deliver an unprecedented number of training courses and presentations for scheme participants on complaints handling and lessons learned from complaints. We see this as a core part of our role – and of FSCL membership – as we do sharing our learnings from the complaints. It all helps in raising industry standards, encouraging more consumers to participate with confidence in the financial markets, and educating consumers about common pitfalls and mistakes.

Alongside a growth in outreach activities and participant numbers, complaints were also up by about 11% in the year end 30 June 2018, and disputes were up 35% following a 20% rise in disputes last year.

The year has also been one of change – at Board level, with staff, and in preparing for regulatory changes.

## **CHANGES TO THE REGULATORY LANDSCAPE**

We have been particularly busy this year considering and submitting on various proposed law and regulation changes, another area where we apply our experience and learnings from investigating complaints. This has included the Financial Services Legislation Amendment Bill and associated regulations, the new code of conduct for financial advisers, and an exemption to allow financial advisers to provide robo-advice – something we consider carries risks for consumers, particularly for replacement advice.

In our experience, allowing personal insurance products to be delivered via robo-advice increases the risk of claims being rejected because of non-disclosure. In person, an adviser is more likely to pick up on a consumer's uncertainty about whether there is a pre-existing medical condition, whereas a robo-adviser would have reduced capacity to do this.

Non-disclosure is a high-risk area and consumers have real difficulty understanding the extent of their duty to disclose. It's why we welcome the upcoming review of insurance contract law and the light being cast on disclosure obligations, which are onerous.

Consumers have to make full disclosure of “all material” facts that are within their knowledge. This means anything that would influence the judgment of a prudent insurer in setting the premium or deciding whether to take on the risk. But in reality, consumers don’t understand what needs to be disclosed, aren’t always aware of the duty of disclosure, and can face disproportionate consequences for breaching disclosure obligations.

In our view, it is an area in much need of updating and we look forward to contributing to the review in the coming year, alongside the review of the Credit Contracts and Consumer Finance Act.

### **RESPONSIBLE LENDING AND VULNERABLE CONSUMERS**

Although the new responsible lending rules and code have been in effect for three years, we are surprised at the low number of complaints we receive about lenders and, in particular, third tier or payday lenders. Anecdotally, we hear that payday lenders may not be complying with their responsible lending obligations and are charging unreasonable credit fees.

We encourage consumers and those who assist consumers to bring their complaints to us. What may be considered a minor complaint can sometimes highlight a systemic issue requiring regulatory action. As mentioned, the lessons learned from complaints can lead to raised standards that benefit all financial services consumers. An example of a complaint involving a relatively small sum of money, but which highlighted a bigger issue with the lender’s loan documents, is featured later in this report.

### **STAFF**

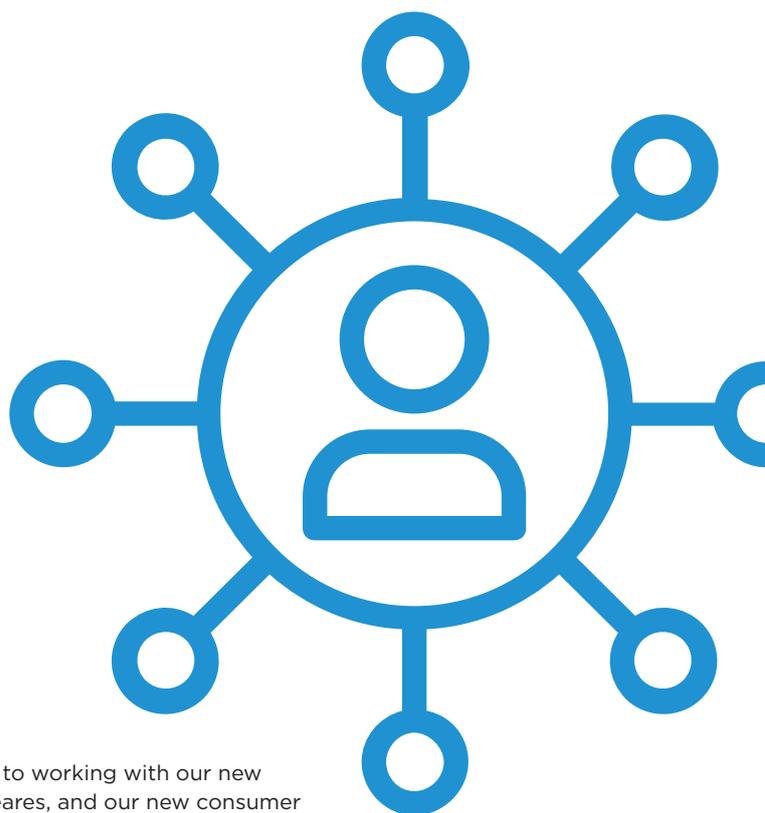
We have had a few staff changes this year. Nicholas Flaws started as a case manager in February, replacing Eddie Paul. Neha Goyal recently joined on contract to cover other staff members’ parental leave. Merran Brady has joined our administration team to help with our outreach activities and executive support.

### **THANKS**

I thank our Board for all their work and in particular extend a huge thank you to our former Board Chair, Kenneth Johnston QC. Kenneth’s guidance for the last seven years and enthusiasm for the FSCL scheme and the work we do are already missed. I also warmly acknowledge Raewyn Fox, one of our two consumer board representatives, who retired at the end of June. Raewyn has been on our Board since FSCL was established in 2010 and has been a steadfast FSCL supporter, providing us with valuable consumer insights.



**“IT’S HEARTENING THAT MANY OF OUR SCHEME PARTICIPANTS ARE TAKING AN INCREASING INTEREST IN COMPLAINTS AND THEIR VALUE, AND TAPPING INTO OUR KNOWLEDGE AND EXPERIENCES TO IMPROVE THEIR OWN.”**



I look forward to working with our new Chair, Jane Meares, and our new consumer representative, Tuhi Leef, over the year ahead.

Last, but by no means least, thank you to my wonderful team. The work we do is often challenging and requires great patience and dedication. All our staff have worked hard and achieved a lot during our busiest year so far in our eight year history.



**Susan Taylor**  
CEO

# SECTOR AND CONSUMER OUTREACH



**“FSCL WAS FAIR TO BOTH PARTIES AND THE RECOMMENDATION WAS VERY THOROUGH AND COVERED ALL THE ISSUES.”**

## **PARTICIPANT RELATIONS**

Our participant numbers have continued to increase with total membership now at around 7,100. We take the responsibility of representing such a large number of financial services providers very seriously and continue to focus effort on offering extra services that we hope will be of value to our participants. In the last year this has included regional workshops in Wellington, Takapuna, Hamilton and Napier, and partnering with the Professional IQ College and the Financial Advisers Association of New Zealand to present webinars on a range of topics. We have also presented at many professional development days and conferences for participants and delivered in-house training.

Our website is an important tool for communicating with our participants, and includes a member-only section with a range of resources. We regularly add case notes to our website as a reference source for both participants and consumers.

We also communicate with our participants through quarterly e-newsletters and a specialist newsletter for lenders twice a year.

We have produced a guide explaining our approach to awarding compensation and, in particular, compensation for non-financial loss or inconvenience.

## CONSUMER OUTREACH

We remain ever hopeful that we will be given the right to call ourselves an Ombudsman scheme as the Chair discusses earlier in this report. We believe that use of the name will help promote our service to consumers, and increase consumers' trust in the work that we do.

During the year we participated in a number of workshops organised by the Government Centre for Dispute Resolution looking at collective ways of increasing consumer awareness of all external dispute resolution schemes, and encouraging consumers to complain when a complaint is warranted.

As we have said on many occasions, the best way for a consumer to find out about us when they need us is through their financial services provider. To that end, we submitted to the Ministry of Business Innovation and Employment, during their consultation on regulations under the Financial Services Law Amendment Bill, that it should be mandatory for advisers to tell their clients about their external dispute resolution scheme, at the time that a complaint arises.

Other work we have done to raise consumer awareness has included participating in training days for consumer advocates and budget advisers, producing consumer newsletters, and issuing regular media releases and Facebook posts on topical issues.

As for participants, we produced a guide for consumers explaining our approach in awarding compensation including, in particular, compensation for non-financial loss such as stress and inconvenience. This guide is available on our website.

## EXTERNAL RELATIONSHIPS

We have made a number of submissions on proposed new laws and regulations including:

- the Financial Services Law Amendment Bill
- regulations relating to misuse of the Financial Service Providers Register
- regulations relating to disclosure for financial advisers
- the new Code of Conduct for financial advisers
- an exemption from the Financial Markets Authority to allow the provision of robo-advice
- insurance contracts law reform.

Our CEO Susan Taylor is a member of the advisory group for the Responsible Lending Code.

We meet regularly with key external stakeholders and have attended and presented at relevant conferences including:

- the Commerce Commission conference
- the joint Financial Services Council and Workplace Savings conference
- the Commission for Financial Capability summit
- the Financial Services Federation conference
- the Financial Markets Law conference.

We also meet quarterly with representatives from other financial dispute resolution schemes to discuss issues of mutual interest and ways in which we can work together co-operatively. We have combined with the other dispute resolution schemes to produce a video about our services which has been distributed to consumer organisations.

Susan Taylor attended the annual conference of the International Network of Financial Services Ombudsman Schemes in Melbourne in September 2017, where financial dispute resolution scheme representatives from more than twenty countries around the world gathered. Susan and other staff members also attended the biennial meeting of the Australian and New Zealand Ombudsman Association in Wellington in May 2018.

**“IF IT WASN'T FOR FSCL AND STAFF,  
I AM POSITIVE THE OUTCOME  
WOULD HAVE TAKEN LONGER  
OR NOT EVENTUATED AT ALL.”**

# HOW DO CONSUMERS RATE US?

We survey all consumers who have had a complaint formally investigated by us. Their feedback helps us to continually look for service improvements.



**91%**

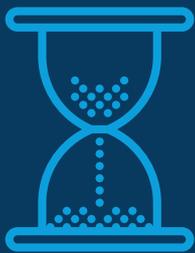
THE FSCL COMPLAINT PROCESS WAS EASY TO USE AND UNDERSTAND



**95%**

FSCL STAFF LISTENED TO ME AND SHOWED ME COURTESY AND RESPECT

**“THE CASE MANAGER  
WAS AMAZINGLY HELPFUL,  
SUPPORTIVE AND TRULY  
PROFESSIONAL, YET WARM  
TO DEAL WITH AND  
REASSURING THROUGHOUT  
THE ENTIRE PROCESS.”**



**95%**

THE FSCL PROCESS  
PROVIDED AN OUTCOME  
IN A TIMELY MANNER

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**90%**

FSCL STAFF DESCRIBED THE  
PROCESS TO ME AND EXPLAINED  
THE MERITS OF MY POSITION  
IN RELATION TO THE COMPLAINT

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# CASE STATISTICS

“FSCL WAS GREAT AND PROVIDED CLEAR VIEWS ON THE SITUATION IN A TIMELY MANNER.”

This year has been FSCL’s busiest year since we started receiving and investigating complaints in 2011.

In the year to 30 June 2018, we opened 288 cases for investigation, a massive 35% increase on 2016/17 (213). This increase partly reflects the increased volume of early enquiries and complaints reported on below. We also completed 14% more investigations than last year, with 245 cases closed, compared to 216 in 2016/17. We significantly reduced the average working days we took to investigate and resolve a complaint, down to 55 working days from 67 last year.

To provide more detailed reporting, we have started classifying cases as simple, standard or complex. A **simple** case is one that can be resolved quickly and easily, sometimes by the scheme participant offering to resolve the case as soon as we notify it of the dispute, or where we decline jurisdiction to investigate. We aim to complete the investigation of 80% of simple cases within 20 working days, and we achieved this target with an average of 16 working days.

A **standard** case is one that involves issues we routinely investigate and presents no particular difficulties. We aim to complete 80% of standard cases within 65 working days and also achieved this target with an average of 45 working days this year.

A **complex** case is one that involves difficult legal or unique issues, or where one or both of the parties is exhibiting challenging behaviour, or we have lengthy files to review, or the case may have precedent value. We target closing 80% of complex cases within 130 working days and also achieved this target, with an average of 119 working days.

As with previous years, complaints against insurers made up the greatest proportion of the cases we investigated – 36%, or 87 out of 245. Our insurer scheme participants tell us that they are selling more products, in particular travel insurance, which lead to higher claims volumes and, when a claim is declined, higher complaints to FSCL. Complaints against lenders were again the second largest category at about 21%. Complaints against other types of financial service provider remained reasonably steady, although there were significant increases in complaints about trustees, card issuers (mainly travel cards) and a decrease in complaints against financial advisers.

The financial product most complained about in 2017/18 was travel insurance, which reflects the advice from our insurer scheme participants that they are selling more travel insurance products as more New Zealanders travel overseas. Complaints about consumer credit remained high and this year we saw a significant increase in complaints about travel cards, again reflecting the feedback that New Zealanders are travelling more and purchasing more travel-related financial service products.

We negotiated or awarded compensation totalling \$575,274, a decrease from last year (\$783,920). The largest individual settlement was \$86,000.

The number of cases that were discontinued by the complainant after we advised them that we were unlikely to uphold their complaint (89) was slightly more than those cases which were settled (71). An additional 25 cases were resolved by the scheme participant very early in the process. In cases that were settled, the complainant received compensation or some other remedial action such as an apology, a fee waiver, or a loan restructure that satisfied their complaint.

We issued formal recommendations, the final step in our process, on 43 cases.

## ENQUIRIES AND COMPLAINTS

The year was also very busy in terms of answering consumer enquiries and complaints. We answered 4,859 enquiries and complaints, up 11% on last year’s total. As with previous years, most of these were about lenders and finance companies, followed by transactional service providers such as trading platforms and foreign exchange dealers.

When we first receive a complaint or enquiry, we check to see if the scheme participant has had the opportunity to resolve the complaint directly with their client. If not, we help the consumer to take their complaint to the participant and follow up later to check that it has been resolved. We only open a formal investigation where:

- the consumer has been unable to resolve their complaint with the participant
- the complaint is unresolved after 40 days of being made to a participant, or
- a participant tells their client to take their complaint to us.

# CASE OUTCOMES



17/18	16/17	15/16
<b>71</b>	<b>54</b>	<b>52</b>
SETTLED (FACILITATION / CONCILIATION / NEGOTIATION)		



17/18	16/17	15/16
<b>89</b>	<b>60</b>	<b>47</b>
DISCONTINUED		



17/18	16/17	15/16
<b>25</b>	<b>25</b>	<b>36</b>
RESOLVED EARLY BY PARTICIPANT		



17/18	16/17	15/16
<b>17</b>	<b>20</b>	<b>14</b>
JURISDICTION DECLINED		



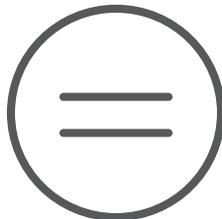
17/18	16/17	15/16
<b>32</b>	<b>13</b>	<b>17</b>
NOT UPHELD - FORMAL RECOMMENDATION		



17/18	16/17	15/16
<b>8</b>	<b>20</b>	<b>9</b>
PARTLY UPHELD - FORMAL RECOMMENDATION		

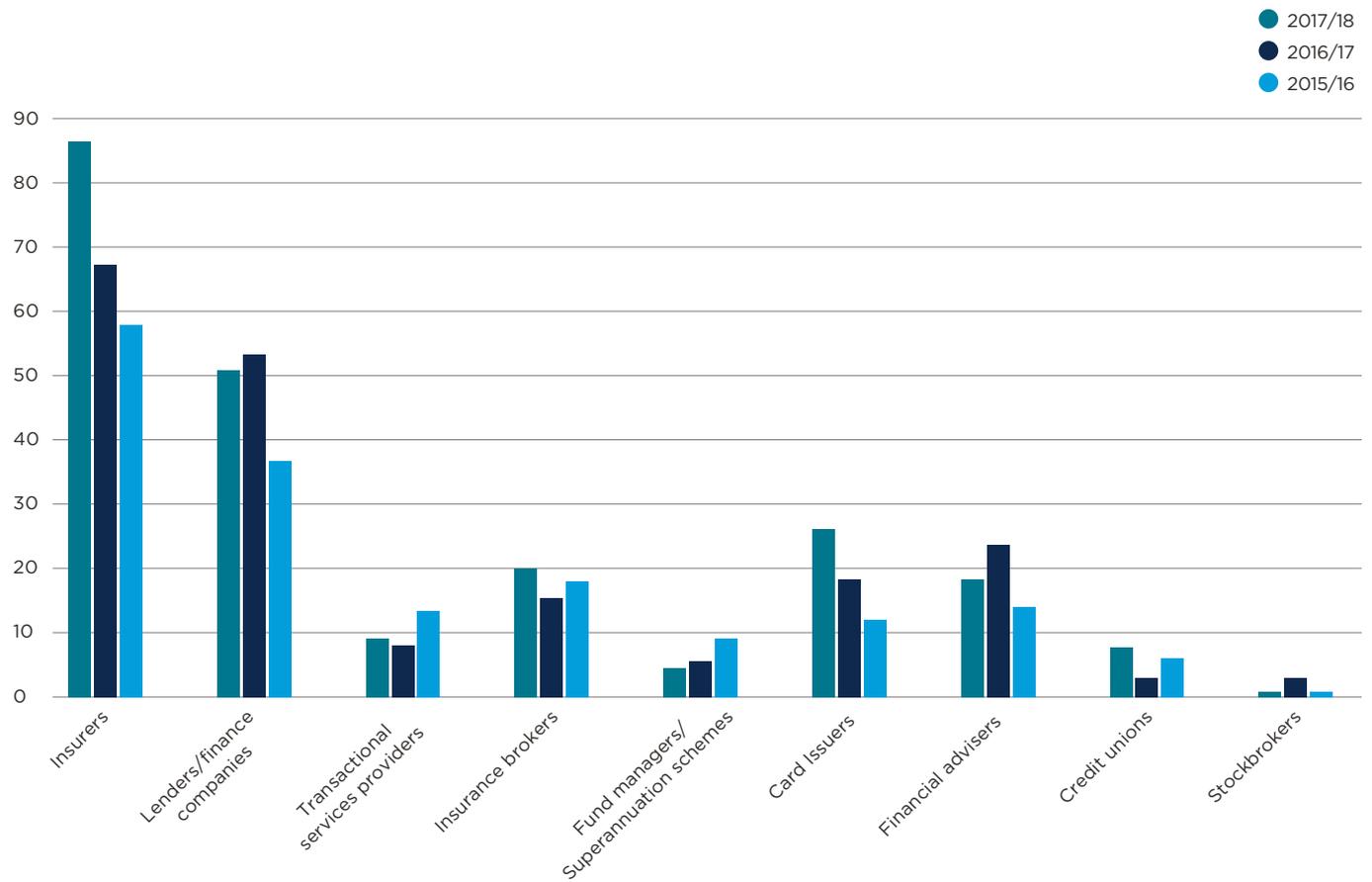


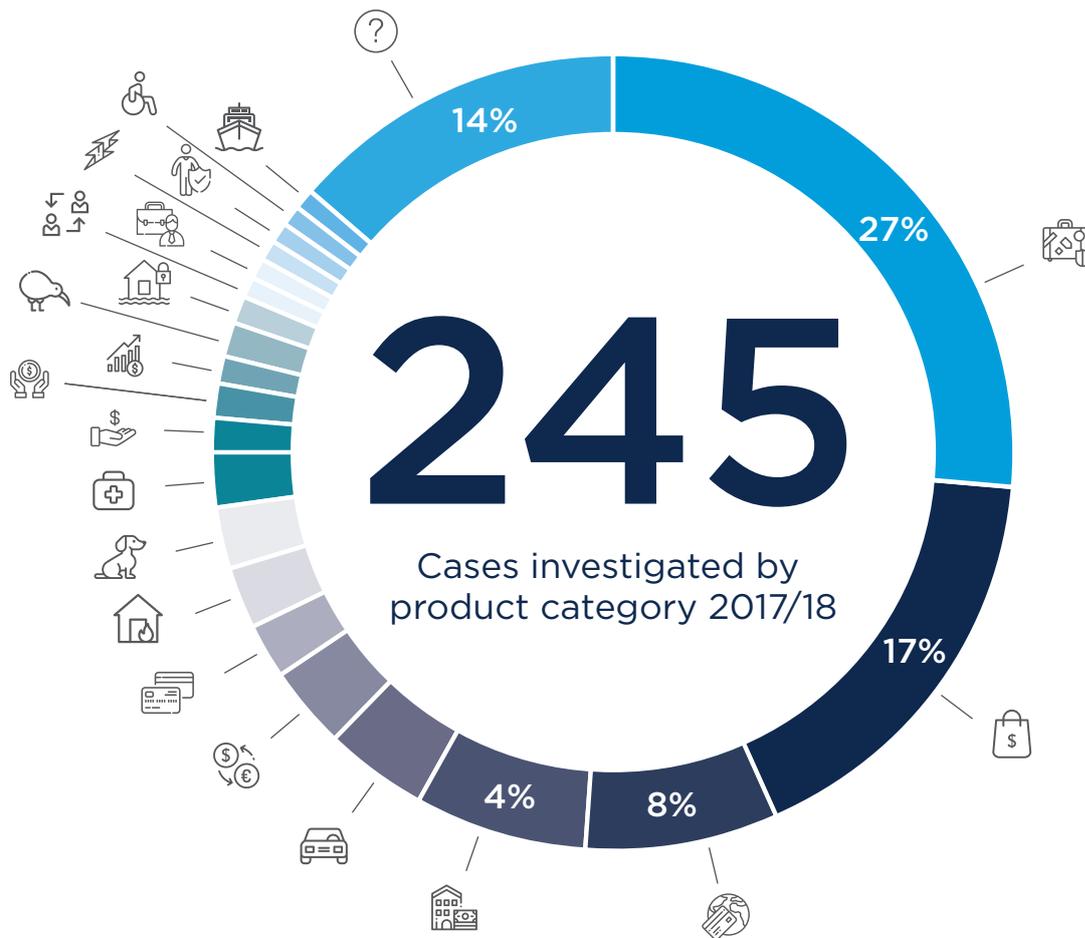
17/18	16/17	15/16
<b>3</b>	<b>5</b>	<b>5</b>
UPHELD - FORMAL RECOMMENDATION		



17/18	16/17	15/16
<b>245</b>	<b>216</b>	<b>180</b>
TOTAL INVESTIGATIONS COMPLETED		

# CASES INVESTIGATED BY PARTICIPANT CATEGORY





## PRODUCT CATEGORIES FOR CASES INVESTIGATED

	17/18	16/17	15/16
TRAVEL INSURANCE	65	39	41
CONSUMER CREDIT	41	45	47
TRAVEL CARDS	19	9	8
ESTATE ADMINISTRATION	17	14	7
MOTOR VEHICLE INSURANCE	10	9	11
TRADING PLATFORMS / FOREIGN EXCHANGE	8	8	11
CREDIT CARDS	6	9	4
MATERIAL DAMAGE INSURANCE	6	3	-
PET INSURANCE	6	3	-
DEBT COLLECTION	5	-	-
HEALTH	4	3	-

	17/18	16/17	15/16
INCOME PROTECTION	3	3	-
BUSINESS FINANCE	3	-	-
KIWISAVER	3	3	5
HOME AND CONTENTS INSURANCE	3	3	8
PEER TO PEER	2	-	-
PROFESSIONAL INDEMNITY INSURANCE	2	-	-
BUSINESS INTERRUPTION	2	8	-
LIFE	2	7	-
SICKNESS AND DISABILITY	2	-	-
MARINE INSURANCE	2	-	-
OTHER	33	39	27
<b>TOTAL</b>	<b>245</b>	<b>216</b>	<b>180</b>

# CASE ISSUES

## INSURANCE POLICIES

Insurance products continue to be the largest category of complaint we investigate. Of those, travel insurance complaints make up about 27%, a 9% increase on last year. The rise seems largely because travel insurance scheme participants are selling more products and New Zealanders are travelling more.

Typically, we're being asked to get involved when a travel insurance claim has been declined and the insured is unhappy about the decision. As the contract between the insurer and the insured, the insurance policy is always our starting point when assessing a complaint. In most cases, we will apply the policy terms in coming to a decision.

However, occasionally, we have a case where we think a strict application of the policy in the circumstances would be unfair. In these rare cases, we will attempt to negotiate a settlement with the insurer. These types of cases, of which case study 1 is an example, starkly demonstrate the value of an alternative dispute resolution scheme - achieving a fair result which is not available under a strict application of the law.



## NON-DISCLOSURE WHEN APPLYING FOR INSURANCE

Many complaints about personal risk products - life, health, and income protection - come to us where the insured has had a claim declined because they failed to disclose a health issue. The complaint typically blames the adviser who helped obtain the insurance cover, for not properly explaining the duty of disclosure.

Some common issues we have seen in the cases we have investigated around disclosure are where consumers:

- don't understand the extent of their duty of disclosure, nor the consequences of non-disclosure
- think insurers will automatically obtain all their medical records at the time of applying for insurance, and therefore they do not need to disclose every medical condition or visit to the doctor
- answer the question "How's your health?" from an adviser according to how they are feeling on the day rather than more generally, including what medical conditions they have, may have, or have had in the past.

Case study 2 is a sad case where the consumer did not understand the importance of full disclosure when applying for insurance. Anyone applying for life, health or income protection insurance needs to disclose all health conditions and doctors' visits, including any possible symptom of a disease or medical issue, even if it may not seem serious at the time.

Case study 3 concerns a different sort of non-disclosure. In this case, the consumer did not disclose her partner's previous criminal convictions when applying for motor vehicle insurance. Although the convictions were unrelated to driving offences, the insurer deemed they were material and declined the consumer's claim when her partner was involved in a motor vehicle accident.

Once again, the lesson is that if in doubt, disclose, disclose, disclose. Consumers should ask their insurer or broker for help if they're not sure whether a previous offence needs to be disclosed.

### **RESPONSIBLE LENDING**

Although lenders are our second largest category of complaint, as noted earlier, we receive very few complaints about third tier or payday members. This is surprising given we hear anecdotally that third tier lenders may not be lending responsibly and can cause big problems for more vulnerable consumers.

By and large, in most of the lending complaints we investigate, we find that the lender has complied with its responsible lending obligations and has done its best to help the borrower if the borrower is facing a period of financial hardship.

However, occasionally, we receive a complaint where we find that the lender has not met its obligations. Case study 4 is such an example. In that case, the lender's loan documentation did not comply with the Credit Contracts and Consumer Finance Act and as a result the lender could not charge interest or fees on the loan.

### **FRAUD**

Unfortunately, we see a number of cases where fraud is involved. In case study 5 the consumer had his travel card stolen while he was travelling overseas. Because of his delay in reporting the card's theft, the consumer was not able to recover his loss.

### **FEES AND CHARGES**

Fees charged by financial service providers also feature in the complaints we investigate. Where a fee is clearly disclosed in a contract, and the fee appears to be in line with standard industry practice, we will apply the terms of the contract.

Case study 6 is an example where, unfortunately, the consumer had to pay a significant fee to a finance broker, even though the consumer did not draw down the loan arranged. This case demonstrates the importance of consumers reading and ensuring they understand the terms of a contract before signing it.

**“FSCL MADE THIS PROCESS A LOT LESS NERVE-WRACKING BY INTRODUCING SOME OVERDUE AND MUCH NEEDED SANITY.”**

# DONOR'S DILEMMA

In January 2017, Tim booked a trip to Rarotonga for September that year. In June, his brother was diagnosed with leukaemia.

Tim was told his brother would need a stem cell transplant, but that Tim was too old to donate. His brother's condition was severe, but not yet terminal, so Tim still planned to go to Rarotonga.

In August he purchased travel insurance for his upcoming trip.

A week before Tim was due to travel, he was called into hospital for an urgent donor assessment and was advised he was in fact a compatible bone marrow donor for his brother. The hospital scheduled a transplant for the day Tim was planning to leave for Rarotonga.

Tim cancelled his trip, and made a claim to his insurer for \$4,760, including the cost of his flights and accommodation. Tim's insurer

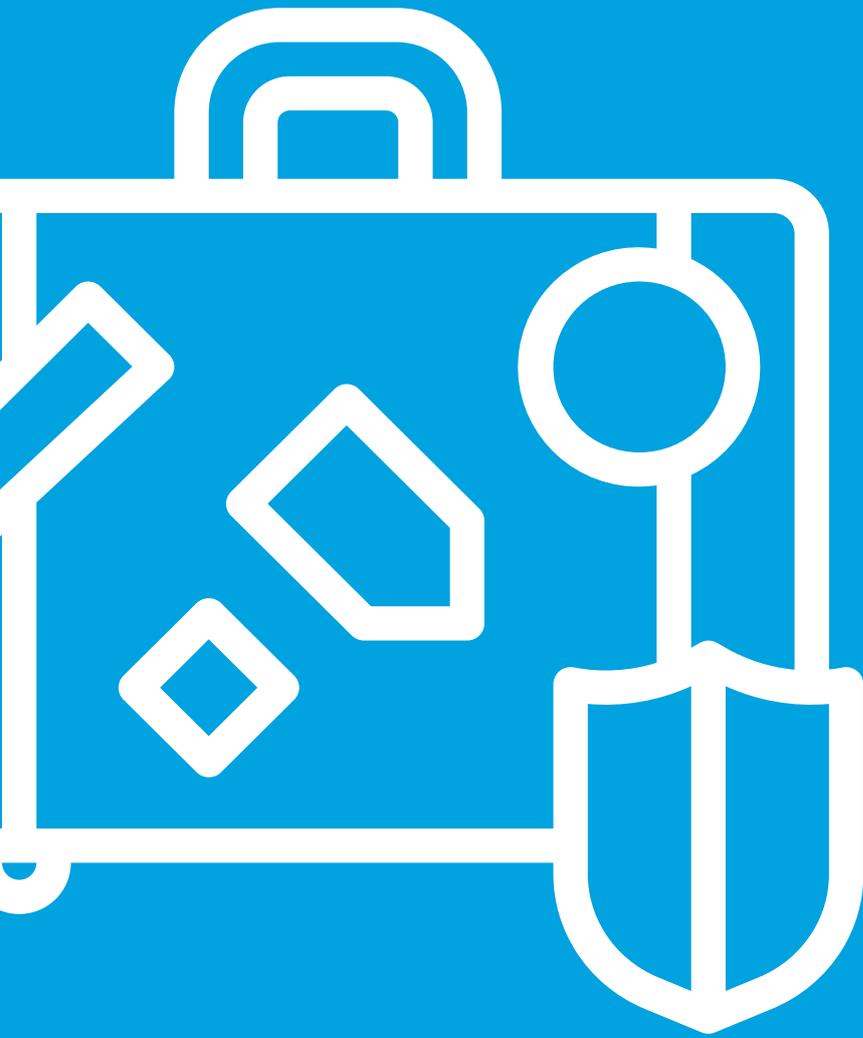
declined his claim on the grounds his insurance policy had an exclusion for pre-existing medical conditions.

## **DISPUTE**

Tim asked the insurer to review his claim on compassionate grounds. When the insurer refused, Tim complained to FSCL.

## **REVIEW**

We sympathised with Tim, but the terms of his insurance policy were clear. Pre-existing medical conditions meant that if Tim cancelled his trip due to a medical condition which existed when Tim purchased his insurance, the insurer was not required to cover his costs. This exclusion applied not only to Tim, but to anyone's pre-existing medical condition that meant he had to cancel or change his trip.



His brother had been diagnosed before Tim purchased his travel insurance, so the insurer wasn't required to cover Tim's travel costs.

However, we thought this was an appropriate case for an ex gratia payment, even though Tim's claim fell outside the terms of his policy. Given Tim had been advised he would not be able to donate stem cells, the risk Tim might be called in to donate was unforeseeable, and it seemed unfair in the circumstances not to pay at least part of his claim.

#### **RESOLUTION**

We spoke to the insurer and it agreed that this was an exceptional case, and offered to pay Tim \$2,380, half of his cancellation costs, which Tim accepted to settle his complaint.



## **FSCL CONSUMER INSIGHT**

It's important to purchase insurance at the same time as you book a trip. If you've paid for a trip, but haven't organised insurance, you're bearing the risk if something goes wrong.

Tim's claim also demonstrates how FSCL can help get a result which might not be otherwise available. We were able to provide an objective assessment of the merits of Tim's claim, and suggest a compromise both parties could be happy with.

## CASE STUDY 2

# DISCLOSE, DISCLOSE, DISCLOSE



Annie and James had medical insurance for their family. They decided to look into getting cheaper cover, so James met with an adviser to discuss options with other insurers.

On the same day, annie went to see her doctor about a painful lump in her breast. The doctor referred annie to a breast specialist, but despite a reminder, annie did not see the specialist as the pain had subsided. She put it down to a gym-related muscle strain.

After meeting with James, the adviser emailed application forms for new medical insurance. The adviser also attached a letter about the importance of disclosure, which highlighted the duty of full disclosure and the risks of non-disclosure. The adviser asked Annie and James to let him know about any changes in their health. Annie did not disclose any medical issues, either to the adviser or on her application form. Her new medical insurance policy was issued six weeks later, and her previous policy was cancelled.



## FSCL CONSUMER INSIGHT

Full disclosure is critical when applying for insurance. In the case of medical insurance, anything that could lead to a claim must be disclosed, even something that may not seem serious at the time.

Sadly, within a year of Annie's consultation with her doctor, she was diagnosed with breast cancer. Annie made a claim with her insurer, who requested her medical notes and discovered the breast lump consultation. The insurer declined Annie's claim due to material non-disclosure and excluded breast cancer coverage from her medical cover.

### DISPUTE

Annie and James complained to FSCL. They said the adviser had not fully explained the importance of medical disclosure, nor just how much information needed to be disclosed to the insurer.

### REVIEW

We reviewed Annie's insurance application form and noted that it contained a detailed medical history questionnaire. We also reviewed the information the adviser had given Annie and James. We were impressed at the adviser's efforts to highlight the importance of disclosure. In our view, the adviser had done enough to draw Annie's attention to her duty of disclosure but, unfortunately, Annie had not disclosed a material fact when she applied for her new medical insurance.

We did not think Annie deliberately hid her breast lump consultation from the insurer. She probably did not think it was relevant. But the failure to disclose it was material. If Annie had disclosed it when she applied for medical insurance, the insurer would have deferred cover until all investigations were complete. If she had disclosed it to the adviser, the adviser would likely have advised Annie not to change insurers due to the risk of the new insurer declining a claim due to a pre-existing medical condition.

### RESOLUTION

We recommended that Annie and James discontinue their complaint and they reluctantly agreed to do so.

# THAT'S CRIMINAL!



Stacey and her partner Brad were in an accident in Stacey's car. Brad had been driving and pleaded guilty to a careless driving charge.

Stacey's car was written off. She submitted a claim to her insurer for its pre-accident value of \$4,000. The insurer declined the claim, saying it would not have insured Brad had it known his full criminal history, which included a conviction for receiving property two years earlier.

## **DISPUTE**

Stacey believed she had correctly disclosed Brad's criminal history when she applied for insurance. She complained to FSCL that the insurer should pay her claim.

The insurer said Stacey had not met her duty to disclose all information that would affect its decision to provide cover. Because the conviction was relatively recent, the offence put in doubt Brad's 'moral character', and the Clean Slate Act did not apply.

## **REVIEW**

We looked into Stacey's disclosure when she took out her policy. Unfortunately, Stacey had not correctly answered the question about whether any drivers had any non-traffic convictions. We accepted Stacey had made a mistake about what she needed to disclose to the insurer – she did not realise she needed to disclose Brad's 'non-traffic' conviction. In our view Stacey had not intended to mislead the insurer, she simply misunderstood what the insurer was asking her to disclose.

We also sought an informal underwriting opinion from another insurer about whether it would have insured someone with Brad's criminal history. It said it would likely have insured Brad as a driver, particularly because he infrequently drove it.



We discussed the independent underwriter's opinion with the insurer and asked whether it would reconsider its position. The insurer said the opinion was irrelevant because it had to adhere to its own underwriting guidelines. Under those guidelines, Brad would not have been insurable as a driver of Stacey's vehicle.

Although we accepted different insurers have different underwriting guidelines, the insurer had the benefit of hindsight in saying that, had it known of Brad's previous criminal history, it would not have insured him. We referred the insurer to section 20 of the Fair Insurance Code which talks about responding reasonably to what is not disclosed.

While Stacey had contributed to the situation she was in, in our view the insurer had not responded reasonably to Stacey's disclosure mistake.

#### **RESOLUTION**

Although the insurer did not believe it was required to pay Stacey's claim, it agreed to offer Stacey \$2,000, half her claim, to resolve the complaint. Stacey accepted the offer.



## **FSCL CONSUMER INSIGHT**

A driver's criminal history is key information motor vehicle insurers use when deciding whether to provide cover. It is important to know the criminal histories of people driving your vehicle, so that you can correctly disclose this to your insurer and don't risk not being paid out on a claim.

# THE DEVIL IS IN THE DETAIL

Damon and Elena got a loan from a finance company to pay for car repairs. The loan agreement required Damon and Elena to make weekly payments of \$25 and the finance company took security over the car owned by Damon and Elena.

A week later Damon lost his job and defaulted on the first payment. Elena told the finance company about the default and that they intended to arrange the money from Work and Income.

Around three weeks later, while at the supermarket, Elena received a phone call from repossession agents purporting to be delivering an important package to her. On giving the agents her location, Elena and Damon's car was repossessed. The finance company gave Elena a post repossession notice advising that the credit facility had been cancelled.

Elena and Damon were given two options to retrieve the car. She and Damon could pay the outstanding amount, or have the loan agreement reinstated by paying the arrears, default and repossession fees.

With Work and Income's assistance, Elena and Damon paid the arrears, default and repossession fees to retrieve her car and reinstate the credit contract. However, the finance company then refused to release the car until Elena and Damon had paid all the outstanding debt on the credit contract.

## **DISPUTE**

Elena and Damon sought legal advice from a community law centre and complained to FSCL. They disputed the legitimacy of the repossession and the finance company's actions following the repossession of their car, and believed the finance company had acted oppressively.

Elena sought a refund of the repossession fee and compensation for the inconvenience and stress for being left without a vehicle, and for not releasing the car until they'd fully repaid the debt.

The finance company disputed that it acted oppressively because it had sent Elena and Damon a repossession warning notice a fortnight prior to the repossession and hand-delivered a post-repossession notice. It explained that, although Damon and Elena had paid the arrears, default and repossession fees, they had failed to meet their obligations under the loan agreement and it was entitled to hold on to the vehicle. Given Elena's income was insufficient to meet her expenses and it had insufficient information to assess Damon's financial situation, the finance company said it was not prepared to release the vehicle unless the debt was paid back in full.

## REVIEW

During our investigation, we identified a number of concerns with the finance company's loan documentation and their compliance with the Credit Contracts and Consumer Finance Act 2003.

### Responsible lending

In 2015, changes to the law required a lender to make sure a borrower can afford to repay a loan without suffering substantial financial hardship. The finance company was unable to show that it had sought confirmation of Damon's income before deciding to lend to him. We found that the finance company did not make any enquiries about the affordability for this lending arrangement and had not complied with the law.

### Truly interest free?

The credit contract did not clearly describe the costs associated with the lending. We found that the contract charged a compulsory finance fee of 29.9% of the loan principal regardless of when payment was made. In our view this fee was actually the annual interest rate. This was concerning as the finance company described its lending for the first year as "interest free".

By law, if the finance fee was in fact interest, the finance company was obliged to disclose this to debtors. Alternatively, if the fee was in fact a finance fee as stated, the finance fee had to be reasonable. The finance company could not use fees to generate a profit. The recent Supreme Court decision in the Sportszone case found that a lender must be able to show that a credit fee is associated with recovering the actual costs of the transaction.

### Other breaches

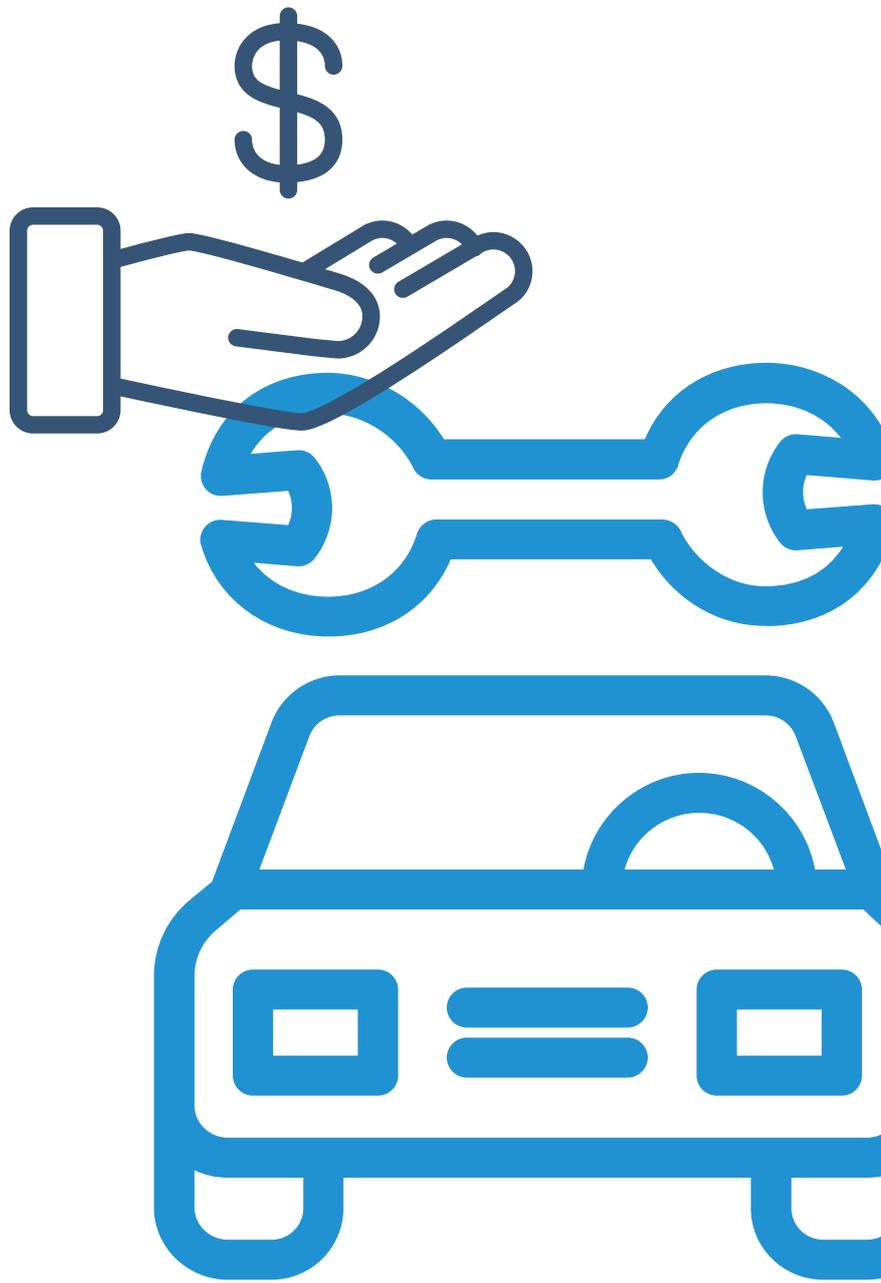
The finance company had also breached the Act by failing to specify its correct name in the consumer credit contract.

### Oppressive actions?

The law requires lenders to treat customers in default reasonably and ethically. We found that the circumstances in which the car was repossessed after Elena and Damon missed their first instalment raised concerns about reasonableness and ethics.

## RESOLUTION

We talked to the finance company about how to resolve this matter. The finance company agreed to pay Damon and Elena the repossession fees, dishonour fees, the finance fee as well as \$200 as compensation for the inconvenience caused by repossessing their car. Elena and Damon accepted the offer. The car was returned to Elena and Damon.



## FSCL CONSUMER INSIGHT

Make sure to check for hidden fees in loan arrangements. Lenders are also required to consider the financial position of a debtor before making a decision to lend.

# TWO CARDS STOLEN IN TWO DAYS



Andrew and Vicki were travelling around Europe. On their first night in London they went to a pub for dinner.

When they were leaving, Vicki checked her handbag and discovered her wallet, containing a number of credit and debit cards, was missing. They returned to their hotel and cancelled their cards.

The next day, while Andrew was attempting to withdraw cash from an ATM with his travel card, a pickpocket distracted him and grabbed the card as it was ejected from the machine. Believing the ATM was malfunctioning, Andrew went inside the bank to ask for help.

Bank staff reviewed the security camera footage and saw the pickpocket steal Andrew's travel card. They then helped Andrew cancel the card. While talking to the travel card company, Andrew discovered a large number of transactions had been made using his supplementary card and realised his card had been in Vicki's wallet when it was stolen the night before. Andrew immediately cancelled the supplementary card as well.

Andrew complained to the travel card provider about the unauthorised transactions made using both cards.

#### **DISPUTE**

The travel card provider offered to refund the transactions made after Andrew's card was stolen from the ATM, but declined to reimburse the transactions on the card stolen in the pub. It referred to its conditions of use, saying that Andrew's delay in reporting the card as stolen caused the loss.

Andrew did not accept the travel card provider's view. He explained that they were both stressed following the theft and, because the card was not usually in Vicki's wallet, they had simply forgotten it was there. Andrew said they could not have reported the card as stolen any earlier because they did not know it was missing.

Andrew also queried how the transactions could have happened, because the thief would not have had his PIN. Andrew suspected the transactions were made using payWave, and if this was the case, he thought the travel card provider should reimburse his loss. Andrew felt he had taken reasonable care of the card and PIN, and the travel card provider was obliged to refund the loss. He complained to FSCL.

#### **REVIEW**

The terms and conditions of the travel card require card holders to notify the travel card provider immediately about a lost card.

We therefore explained to Andrew we were unlikely to uphold his complaint because he did not immediately tell the travel card provider his card had been stolen from the pub.

Although Andrew and Vicki had forgotten the card was in Vicki's wallet, Andrew was obliged to know where both cards were at all times. If he had reported the card stolen that night he would have lost, at most, about \$250. Because the transactions were all made with payWave, they were of low value. But due to the length of time it took to report the card stolen, about \$1,500 was taken from Andrew's account.

#### **RESOLUTION**

We encouraged Andrew to accept the travel card provider's offer to reimburse the \$2,000 of transactions relating to the card stolen from the ATM. Andrew took our advice and the case was settled on this basis.



## **FSCL CONSUMER INSIGHT**

It is crucial to know where all your credit and debit cards are at all times, and notify your card provider as soon as you think a card might have been stolen. With paywave transactions increasingly common, immediately notifying your card provider is the best way to avoid loss.

# FAIR FEE FOR FOILED FINANCE



Terence's company was facing financial difficulty. He contacted a mortgage broker to urgently re-finance his expiring factory mortgage of \$690,000.

The broker helped Terence complete a detailed statement of position and apply for refinancing with a reputable second-tier lender. The lender reviewed Terence's application and made a formal offer of finance. The lender's offer was for a loan of \$882,000, from which the following deductions were made:

- \$695,000 to refinance the factory
- \$17,700 in fees to the lender
- \$20,300 in fees to the mortgage broker
- \$20,396.25 in interest due to the lender.

This left Terence with further working capital of \$129,000. Terence was happy with these conditions and accepted the offer, signing an agreement with the lender.

Terence then contacted his existing lender to arrange repayment of the old loan and found he actually owed \$934,000. Terence had not factored in interest and costs into the repayment of his mortgage.

Terence contacted the broker and told him of his mistake and his need for additional funds. He offered to put up a residential property as security along with the factory. As the new lender would not provide additional finance, Terence asked the broker to explore other finance options. He decided not to proceed with the loan from the new lender given it would not cover the existing debt.

Unfortunately, the broker could not find any other finance available. The broker advised Terence that it would be in his best interests to sell the factory before a mortgagee sale was forced on him.

Several months later, Terence found a buyer willing to pay \$1,200,000. He arranged the sale, but found that the new lender had registered a caveat against the title to the factory for \$58,396.25 made up of fees to the lender, fees to the broker and interest due under the agreement that Terence had signed.

Terence negotiated with the lender and, as settlement day drew near, agreed to pay the lender \$44,000 to release the caveat.



## FSCL CONSUMER INSIGHT

Finance brokers usually take a brokerage commission on the value of any finance organised. Brokers may also charge an upfront fee to cover the costs of organising the finance. It is important to read and understand the terms of any finance contract before you sign it as there may be fees attached even if the contract is cancelled early or the loan is not drawn down.

### DISPUTE

Terence was disappointed he had to pay \$44,000 in fees and charges for a loan that he never drew down. He complained to FSCL that this was unfair.

Terence wanted the lender to repay him the \$44,000 or for the broker to refund part of the fee. Terence said he had never been told that fees would apply regardless of whether he drew down the loan, that the broker's fee was high and that the finance arranged for him was not suitable.

### REVIEW

We investigated Terence's complaint and found that the brokerage commission of 2% of the loan was standard and reasonably reflective of industry practice for arranging and implementing a commercial finance offer of close to \$900,000.

We found the broker had fully disclosed all the loan documentation and had explained the fees that applied to arranging the finance.

We looked into the information that Terence had given the broker and found the broker had arranged the finance on the basis of that information. In our view it was Terence's obligation to provide up-to-date and accurate information so that the broker could ensure suitable finance. On the evidence, the finance arranged by the broker would have been suitable, had Terence's company been in the financial position described.

We found that although the loan offer had been put together quickly, Terence had been given sufficient opportunity to consider the loan terms and to take legal advice on the effect of signing the loan offer. Terence had decided to sign the offer without taking legal advice and we felt that, in the circumstances, there was no reason for Terence or his company to be released from the contract with the new lender.

### RESOLUTION

We were satisfied that the broker had fully disclosed all relevant terms and fees to Terence and that the lender and broker were entitled to charge the fees under the contract. Terence accepted our findings.

# BOARD DETAILS



**JANE MEARES**  
*Board Chair*  
(as from 1 April 2018).

Jane is a commercial barrister, with a wide range of public and commercial experience. She is also the Chief Commissioner of the Transport Accident Investigation Commission, a standing commission of enquiry and an independent Crown entity.

Jane currently has a number of governance roles and is chair of the Risk and Audit Committee of the Parliamentary Counsel Office, a director of Electricity Corporation of New Zealand, a member of the Governance and Investor Oversight board of Trustees Executors Limited, an independent member of two commercial advisory boards for the Department of Corrections, chair of the Ballet Foundation of New Zealand Trust and a trustee of the UNICEF Children's Foundation.



**RAEWYN FOX**  
*Consumer representative*

Raewyn has been the CEO of the New Zealand Federation of Family Budgeting Services Inc since 1999. Raewyn has worked in budget advice for 20 years, starting as the manager of the Porirua Budget Service. She has held numerous governance roles in the community and commercial sectors, including being a foundation member of the Community Trust of Wellington, a past consumer representative on the Commission of the Insurance and Savings Ombudsman scheme, and a member of the Task Force on the Regulation of Financial Intermediaries.



**GARY YOUNG**  
*Industry representative*

Gary has been the Insurance Brokers Association of New Zealand CEO since 2006. Prior to this Gary worked in insurance for 30 years, mainly in insurance broking with local and international companies as a broker/adviser, CEO, director and shareholder. Since 2009 Gary has been a member of the Code Committee for financial advisers and is currently a director and CEO of Professional IQ College, an NZQA-accredited private training establishment for financial services.



**MARY HOLM**  
*Consumer representative*

Mary writes a personal finance Q&A column in the Weekend Herald, presents a financial segment on RNZ, and is a best-selling author and seminar presenter on personal finance. Mary is also a director of the Financial Markets Authority. She holds an MBA in finance from the University of Chicago. Mary has been the business editor of the Auckland Sun and Auckland Star, and a member of the Capital Markets Development Task Force and the Savings Working Group.



**ROGER J KERR**  
*Industry representative*

Roger has over 35 years' merchant and investment banking experience in New Zealand's financial and investment markets. Roger is regarded as one of New Zealand's leading professional advisers and commentators on local and international financial markets, the New Zealand economy and corporate treasury management. He was a Director/Shareholder of Asia-Pacific Risk Management Ltd from 1998 to 2012 and a Partner and Contractor at PwC New Zealand (Treasury Advisory) from 2012 to June 2018.

Roger is currently Board Chairman of I E Financial Services Limited and a Director of Pie Funds Limited, ETOS Limited, Hedgebook Limited and Forli Partners Limited.

# COMPANY INFORMATION

Financial Services Complaints Ltd (FSCL) was incorporated as a limited liability company on 26 August 2009, incorporation number 2303993. The registered office is at level 4, 101 Lambton Quay, Wellington.

FSCL was approved by the Minister of Consumer Affairs as an approved dispute resolution scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 in April 2010.

## BOARD OF DIRECTORS

FSCL's Board of Directors is responsible for overseeing the operations of the company, for ensuring independent decision making by the Chief Executive Officer and staff of the company, and for preserving the independence of FSCL's dispute resolution scheme.

Under its constitution, FSCL's Board of Directors is made up of:

- an independent Chairman appointed by the Board
- two participant/industry directors appointed by the Board to represent the participants of FSCL
- two consumer directors appointed by the Board to represent the interests of consumers.

## CHIEF EXECUTIVE OFFICER

The Chief Executive Officer:

- has overall management responsibility of the FSCL's dispute resolution scheme
- is empowered to make binding recommendations and determinations in relation to consumer complaints made against FSCL participants
- is responsible for establishing systems and procedures to maintain FSCL's efficient and effective operations in accordance with FSCL's terms of reference
- has all the other powers, functions and duties conferred by FSCL's constitution and terms of reference, and as conferred and delegated by the Board from time to time.

## INDEPENDENCE IN DECISION-MAKING

The decision-making process and administration of FSCL's dispute resolution scheme are independent of its participants who provide its funding. The Chief Executive Officer and FSCL's staff are:

- entirely responsible for the handling and termination of complaints
- accountable only to the Board of Directors.

## FSCL'S TERMS OF REFERENCE

Complaints about participants are dealt with by FSCL in accordance with the terms of reference promulgated by FSCL's Board and as approved by the Minister of Consumer Affairs.

## FSCL'S PARTICIPANTS

A list of FSCL's participants is available on its website - [www.fscl.org.nz](http://www.fscl.org.nz)

## SHAREHOLDER

The shareholder of the company holds the shares on trust for the fulfilment of the current Chair, company's objects which are to provide an external dispute resolution service for its participants. There are 100 ordinary shares.

## STAFF MEMBERS

**SUSAN TAYLOR** | Chief Executive Officer

**RHONDA SINGLETON** | Administration and Finance Manager

**CARL SCHREIBER** | Case Manager

**MERYN GATES** | Case Manager

**NEHA GOYAL** | Case Manager  
(from May 2018)

**NICHOLAS FLAWS** | Case Manager  
(from February 2018)

**STEPHANIE NEWTON** | Case Manager

**LAUREN BARKER** | Early Assistance Officer

**MICHAEL SAYWELL** | Membership and IT Officer

**MERRAN BRADY** | Executive Support Assistant  
(from February 2018)

**CASSIDY BROWNE** | Administration Assistant  
(from September 2017)

# SUMMARY FINANCIAL STATEMENTS

## Summary profit and loss statement for the year ended 30 June 2018

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	1,680,639	1,675,333
<b>Total revenue</b>	<b>1,680,639</b>	<b>1,675,333</b>
<b>Expenses</b>		
Administration	1,524,797	1,418,696
Non cash items	34,443	52,371
<b>Total expenses</b>	<b>1,559,240</b>	<b>1,471,067</b>
<b>Net business surplus</b>	<b>121,399</b>	<b>204,266</b>
<b>Other income</b>	142,001	86,738
	142,001	86,738
<b>Net surplus</b>	<b>263,400</b>	<b>291,004</b>

## Summary statement of movements in equity For the year ended 30 June 2018

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Net surplus for the year	263,400	291,004
Equity at beginning of year	2,437,501	2,146,497
<b>Equity at end of year</b>	<b>2,700,901</b>	<b>2,437,501</b>

These summary statements are to be read in conjunction with the notes to the summary financial statements

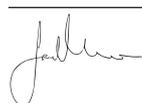
# SUMMARY FINANCIAL STATEMENTS

## Summary balance sheet for the year ended 30 June 2018

	2018	2017
	\$	\$
<b>Equity</b>	<b>2,700,901</b>	<b>2,437,501</b>
<b>Current assets</b>		
Cash, bank balances and short term deposits	2,609,969	2,308,297
Receivables	64,418	73,082
Prepayments	23,270	23,410
	2,697,657	2,404,789
<b>Non current assets</b>		
Property, plant and equipment	110,113	119,081
Intangibles	48,431	44,514
	158,544	163,595
<b>Total assets</b>	<b>2,856,201</b>	<b>2,568,384</b>
<b>Current liabilities</b>		
Accounts payable	44,928	43,957
Income in advance	1,575	15,231
Accrued charges	100,444	69,492
Lease incentive	3,712	2,203
	150,659	130,883
<b>Non current liabilities</b>		
Lease incentive	4,641	-
	4,641	-
<b>Total liabilities</b>	<b>155,300</b>	<b>130,883</b>
<b>Net assets</b>	<b>2,700,901</b>	<b>2,437,501</b>

### APPROVAL OF FINANCIAL STATEMENTS

These summary financial statements have been approved by the board on 31 August 2018.  
For and on behalf of the Board of Directors:



Director



Director

These summary statements are to be read in conjunction with the notes to the summary financial statements

# SUMMARY FINANCIAL STATEMENTS

## Summary statement of cashflow For the year ended 30 June 2018

	2018	2017
	\$	\$
<b>Cash was provided by (used for)</b>		
<b>Operating activities</b>		
Receipts from Participants	1,689,482	1,688,059
Receipts from legal costs awarded	50,430	-
GST movement	1,835	1,262
Operating costs	(1,489,586)	(1,473,616)
Income tax paid	(12,668)	4,059
	239,493	219,764
<b>Investing activities</b>		
Payments to property, plant and equipment and intangible assets	(29,392)	(8,485)
	(29,392)	(8,485)
<b>Financing activities</b>		
Increase of term deposits	(56,848)	(486,234)
Net interest received	91,571	84,304
	34,723	(401,930)
<b>Net movement in cash</b>	<b>244,824</b>	<b>(190,651)</b>
Opening bank balances	126,441	317,092
<b>Closing bank balances</b>	<b>371,265</b>	<b>126,441</b>
<b>Represented by</b>		
Bank balances	371,265	126,441
<b>Closing bank balance</b>	<b>371,265</b>	<b>126,441</b>

These summary statements are to be read in conjunction with the notes to the summary financial statements

# SUMMARY FINANCIAL STATEMENTS

## Notes to the summary financial statements for the year ended 30 June 2018

The Summary Financial Statements have been prepared for the individual entity Financial Services Complaints Limited for the accounting period ended 30 June 2018. Also included for comparative purposes are figures for the period ended 30 June 2017.

The specific disclosures included in the Summary Financial Statements have been extracted from the Full Financial Services Complaints Limited Financial Statements. The Summary Financial Statements do not include all disclosures provided in the Full Financial Statements and cannot be expected to provide as complete an understanding as provided by the Full Financial Statements.

Financial Services Complaints Limited does not have a general purpose financial reporting requirement. Financial Services Complaints Limited's constitution requires the preparation of special purpose financial statements within five months of the company's balance date.

The Full Financial Statements for Financial Services Complaints Limited have been prepared applying the Public Benefit Entity Simple Format Reporting -Accrual (Not for Profit) ("PBE SFR-A (NFP)") standard with the exception of an entity information page and the preparation of a statement of service performance.

The purpose of the Full Financial Statements is to provide users with consistent year on year information regarding the financial performance and position of Financial Services Complaints Limited and so that the company can meet its obligations under the Income Tax Act.

The Summary Financial Statements are presented in New Zealand dollars, which is the operational currency of Financial Services Complaints Limited. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

The Full Financial Statements for the year end 30 June 2018 were authorised for issue by the directors of Financial Services Complaints Limited on 31 August 2018 and an unmodified audit report was issued by BDO at that date.

The Full Financial Statements for the year end 30 June 2017 were authorised for issue by the directors of Financial Services Complaints Limited on 1 September 2017 and an unmodified audit report was issued by BDO at that date.

A copy of the Full Financial Statements can be obtained via the Financial Services Complaints Limited's website; <http://www.fscl.org.nz/>.



BDO Wellington Audit Limited

## INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS To the Shareholders of Financial Services Complaints Limited

The accompanying summary financial statements, which comprise the summary balance sheet as at 30 June 2018, the summary profit and loss statement, the summary statement of cashflow and summary statement of movements in equity for the year then ended, and related notes are derived from the audited special purpose financial statements of Financial Services Complaints Limited for the year ended 30 June 2018. We expressed an unmodified audit opinion on those special purpose financial statements in our report dated 29 August 2018. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not include all the disclosures included in the special purpose financial statements. Reading the summary financial statements, therefore is not a substitute for reading the audited special purpose financial statements of Financial Services Complaints Limited.

### Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of a summary of the audited special purpose financial statements in accordance with FRS-43: *Summary Financial Reports* ("FRS-43").

### Auditor's Responsibility

Our responsibility is to express an opinion on these summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810, "Engagements to Report on Summary Financial Statements".

Other than in our capacity as auditor we have no relationship with, or interests in, Financial Services Complaints Limited.

### Opinion

In our opinion, the summary financial statements derived from the audited special purpose financial statements of Financial Services Complaints Limited for the year ended 30 June 2018 are consistent, in all material respects, with those special purpose financial statements in accordance with FRS-43.

### Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to the Notes to the summary financial statements, which describes the basis of accounting. The summary financial statements are prepared to assist the shareholders by providing users with consistent year on year information regarding the summary financial performance and position of Financial Services Complaints Limited. As a result, the summary statements may not be suitable for another purpose. Our report is intended solely for the shareholders and should not be distributed to or used by parties other than the shareholders.

*BDO Wellington Audit Limited*

**BDO Wellington Audit Limited**  
Wellington  
New Zealand  
31 August 2018

# COMPANY DIRECTORY

Level 4, 101 Lambton Quay  
Wellington 6011

## **INCORPORATION NUMBER**

2303993

## **IRD NUMBER**

103-018-668

## **DIRECTORS**

Jane Meares (from 1 April 2018)  
Kenneth Johnston QC (until 31 January 2018)  
Michael Leggat (from 1 February to 31 March 2018)  
Mary Holm  
Raewyn Fox  
Gary Young  
Roger J Kerr

## **SHAREHOLDER**

The Board Chairman is the company's sole shareholder and holds the shares on trust for the fulfilment of the company's objective, which is to provide an external dispute resolution scheme for its participants.

## **ACCOUNTANTS**

KPMG  
10 Customhouse Quay  
Wellington

## **AUDITORS**

BDO Wellington  
Level 1, 50 Customhouse Quay  
Wellington 6011

