HEARING BOTH SIDES
OF THE STORY

FSCL
FINANCIAL SERVICES COMPLAINTS LTD

ANNUAL REPORT 2014/2015

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

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SNAPSHOT OF OUR YEAR

193

cases investigated and resolved

2,163

consumer enquiries and complaints about financial service providers answered

54

average working days to investigate and resolve a case (down from 57 days in 2013/14)

Independent review confirms FSCL is an effective external dispute resolution scheme with high quality services

15%

reduction in annual fees charged to scheme participants

Over

85%

overall satisfaction from both consumers and scheme participants for FSCL's services

Over

6,000

financial service providers as scheme participants

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.

CHAIRMAN'S FOREWORD

The end of the financial year on 30 June 2015 was something of a watershed for FSCL, marking five full years of trading for the company.

Five years earlier, FSCL had been incorporated on the basis of an idea. It had no investors, no start-up capital and no obvious means of commencing operations. What it had, though, was the dedicated belief of a small number of people committed to establishing a business and the assistance of external professionals – lawyers and accountants mostly – who agreed to provide services on the basis they would be paid if and when the company could afford to do so. The growing number of participants who put their faith in the new business enabled it to establish some financial traction.

We have come a distance. After five years, FSCL is the largest dispute resolution scheme in the sector – with over six thousand participants – and is a growing and successful scheme. One of our philosophies has been to keep administrative costs as low as realistically possible, but, nevertheless, we now have a full-time compliment of nine staff.

During the 2014/15 financial year, FSCL underwent its first external review (required by the legislation under which we operate), conducted by the Foundation for Effective Management and Governance. The report which emerged, and which has since been lodged with the Minister of Consumer Affairs and published on our website, was very gratifying. In short, it concluded that FSCL is doing its job efficiently and effectively, meets the requirements of the relevant legislation and adheres to principles and practices that meet international benchmarks.

I take great pride from the quote directly from the report that FSCL "...is very well governed and managed such that its services are delivered efficiently and are of the highest quality."

The report also made a number of recommendations including:

- exploring further opportunities for the promotion of dispute resolution schemes in collaboration with other scheme operators, the government and stakeholders
- increasing the amount of compensation that can be awarded for inconvenience from $500 to $2,000, and
- a requirement for all scheme participants to improve the information given about their internal complaints processes.

Some of these recommendations have already been implemented and the remaining recommendations will be considered further during the course of this year.

In May, FSCL held its inaugural conference in Auckland, which many of our participants attended. It was, I think, a real success, with genuinely informative and challenging speakers and topics. Most pleasing from my personal point of view was the active involvement of virtually all of FSCL's staff. The Board is conscious that the annual calendar is peppered with conferences, seminars and the like, and that the decision to participate in these involves a careful cost-benefit analysis. Nevertheless, the success of the conference has emboldened us to at least consider making this a regular (perhaps bi-annual) event.

Throughout the first five years of FSCL's existence, we have remained acutely aware that our success reflects the ongoing support of our participants. We regularly remind ourselves of the undertaking we made at the outset to ensure our fees reflect costs – hence the fee reductions during the two previous financial years. With the information we now have to hand, the Board has resolved to reduce fees for the 2015/16 financial year by 15%. This means that we have budgeted to run at a modest deficit for the year, but our careful – and relatively conservative – analysis of our requirement for reserves has meant the Board is confident that this reduction is a sensible step to take.

There have been no changes at board level this year. Bruce Cronin's term expired at the end of September 2014, but I am pleased to say he accepted a further two-year term offered by the Board. On this score, the Board has recently resolved to limit board appointments to a maximum of three three-year terms for all members, and is taking steps to ensure that terms are staggered to ensure a degree of continuity. As I have said in previous years, and am unembarrassed to repeat, I am proud to chair a group of dedicated and talented (not to mention, occasionally very entertaining) board members. I extend my thanks to Bruce Cronin, Raewyn Fox, Roger Kerr and Gary Young for their ongoing work for FSCL.

Once again, on behalf of myself and the Board, I express my thanks and admiration to our CEO, Susan Taylor, for the way in which she leads FSCL and the huge amount of work she has put into its success. Trevor Slater, our General Manager, and the rest of FSCL's staff are also due sincere thanks for their hard work.

Here's to the next five years and beyond.

"We have come a distance. After five years, FSCL is the largest dispute resolution scheme in the sector – with over six thousand participants – and is a growing and successful scheme."

Kenneth Johnston
Board Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

How time flies! It is hard to believe that FSCL is celebrating its fifth birthday this year. In five years, scheme membership has grown from 300 to over 6,000 participants, staff numbers have increased from one to nine, we have formally investigated over 600 cases, and handled over 7,400 complaints and enquiries from consumers and financial service providers.

I take this opportunity to sincerely thank all those who have contributed to FSCL's growth and success.

I have to confess to having little time for those in the financial services industry who not infrequently comment that there is no need for dispute resolution schemes. The refrain "I haven't had a complaint in over 20 years of business" or "the dispute resolution schemes are only there to transfer money from my pocket to theirs", garners no sympathy from me. The fact that we have had a healthy demand from consumers for our services indicates the need for an independent party to whom people can turn when something goes wrong. And as we are a not-for-profit, annual fees are set at a level to cover our basic operating costs. Any operational surplus is returned to scheme participants by way of lower annual fees the following year.

INDEPENDENT REVIEW

We were delighted with the results of the first independent review report on our operations and processes received in early 2015. As a relatively new dispute resolution scheme, we were keen to see how our processes compared to international best practice standards and guidelines for external dispute resolution schemes, and to other similar dispute resolution schemes. As has been reported by our Board Chairman, the reviewer found that we were performing very well and meeting all best practice standards for Ombudsman and dispute resolution schemes.

More specifically the reviewer's findings included:

- Our policies and practices conformed to the best international standard for complaints handling.
- Competition between dispute resolution schemes in New Zealand had not been dysfunctional, but rather had the advantage of pushing schemes to greater levels of efficiency and potentially greater quality levels in their services.
- Much of the explanation for FSCL's significant growth was due to confidence amongst financial service providers in the quality and cost-efficiency of its service.
- We were adhering to the principles of natural justice and there was no evidence of bias in investigations or decision making.
- Our early assistance programme was strongly commended as it contributed to efficiency, and also the scheme's accessibility, fairness and effectiveness.

A full copy of the report can be read on our website – www.fscl.org.nz. The challenge now is to work on continuous improvement in our services for both scheme participants and the consumers who use our service.

THE NUMBERS

The current year has seen slower but steady growth in participant numbers. We were pleased to welcome Public Trust as a new participant in July 2014.

Complaint numbers have remained static which is a little surprising. However, we know that consumer awareness of FSCL and the other dispute resolution schemes remains very low and we welcome the focus on this issue in the current review of the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

One of FSCL's key strategic priorities is to increase awareness, not just by consumers, but also by financial service providers. We encourage our participants to recognise a complaint when one is made to them, and to ensure that their customers or clients are aware of FSCL's existence.

It is disappointing that we have not been able to make progress on a shared entry point to the dispute resolution schemes for consumers. We support having a single freephone number for consumers to call and will continue to advocate for this.

CONSUMER AND CREDIT LAW REFORM

This year has marked a major change in credit laws in New Zealand. The law change that came into effect on 6 June 2015 introduces lender responsibility principles requiring lenders to make reasonable inquiries before entering into a loan agreement so that they are satisfied that:

- the credit provided will meet the borrower's needs, and
- the borrower will be able to repay the loan without suffering substantial hardship.

FSCL welcomes the law changes and the introduction of a Responsible Lending Code and I enjoyed the input and contribution I was able to make as a member of the Advisory Group which assisted the Ministry of Business, Innovation and Employment (MBIE) in the Code's drafting.

Sitting in the middle of disputes between lenders and borrowers, we see both sides of the story so we were also heartened to see the NZ Federation of Family Budgeting Services' initiative of a Code of Responsible Borrowing. The Code encourages borrowers to make sure they can afford the repayments on a loan, to look at options other than borrowing money, and to seek help and advice before signing a loan agreement.

As a result of the law changes we expect to see, over time, an increase in complaints about alleged irresponsible lending, unreasonable credit fees and financial hardship reviews.

STAFF

Staff numbers have remained stable this year. In July 2014, Carl Schreiber joined our case management team from a background in private legal practice. Then in September, we farewelled Janelle Murray, our administration assistant and welcomed Kylie Gore into the role. Both Carl and Kylie have quickly become key members of the team. Earlier this year, we appointed Michael Saywell, previously a part-time administration assistant, as our IT officer. Michael's assistance on our new website project has been invaluable.

LOOKING AHEAD

This year the MBIE is reviewing the Financial Service Providers (Registration and Dispute Resolution) Act 2008 and the Financial Advisers Act 2008.

In its Issues Paper released in May, MBIE has said it is interested to learn more about the effect that multiple dispute resolution schemes may be having on the accessibility, awareness and efficiency of the dispute resolution regime. MBIE has asked for comments on the impact, both positive and negative, of competition between the dispute resolution schemes.

In our view, the benefits of having two or more competing schemes far outweigh the disadvantages.

There is no evidence of which we are aware to support the proposition that having multiple (four) dispute resolution schemes is confusing for consumers, or is having a negative effect on consumer awareness. And the financial dispute resolution schemes work collaboratively to ensure that a consumer reaches the right scheme for their complaint. Nor is there any evidence of widespread "scheme-hopping" – where a participant changes schemes because they believe a complaint would have a different outcome if they were with a different scheme.

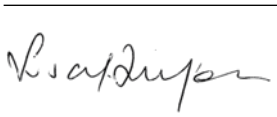
On the other hand, competition between schemes encourages them to work more efficiently and to strive to provide the best possible service to scheme participants and their customers. Competition encourages schemes to keep their fees as reasonable as possible while still maintaining service standards. In turn, this benefits consumers who ultimately bear the cost of the scheme participant's compliance costs through higher service fees or interest.

"One of FSCL's key strategic priorities is to increase awareness, not just by consumers, but also by financial service providers."

THANKS

As we enter our sixth year, I wish to thank our Board of Directors for their steadfast support in providing the direction and resources that have enabled FSCL to become the successful scheme it is today. In particular, I thank Kenneth Johnston, our Board Chairman, for his ready willingness to discuss and address challenging issues that arise from time to time.

I thank our FSCL team for another year of outstanding performance. To our case management team, thank you for placing yourselves in the middle of often challenging disputes and for bringing your judgment and integrity to your role on a daily basis. To our General Manager, Trevor Slater, and our administration team, thank you for your ongoing efforts to provide outstanding service to our many participants. We are a great team.



Susan Taylor: CEO

NEW IN 2014/15

INAUGURAL CONFERENCE – BUILDING A BETTER TOMORROW

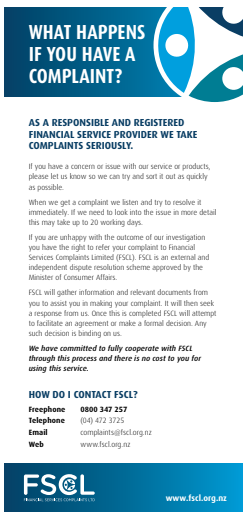
As a way to mark our fifth birthday, we held a one-day conference for 150 scheme participants and stakeholders in Auckland in May 2015. Speakers, including the Financial Market Authority's Simone Robbers, journalist Mary Holm and Retirement Commissioner Diane Maxwell, discussed the future of financial services in New Zealand from their individual perspectives. Our staff also ran workshops on complaint resolution skills and tips, the new Responsible Lending Code and how FSCL investigates cases. We hope to hold another conference in 2017.

NEW WEBSITE

We launched our new website in May this year, designed to be more user-friendly for both our participants and members of the public. We are in the process of uploading a library of case notes which illustrate the different types of cases we investigate and provide guidance on how we approach the various issues raised.

The website also has a new members' only area which provides useful resources for participants and allows them to update their membership details, check on fee payments and generate membership certificates.

"Great presenters, thoroughly informative and would certainly come again"


WHAT HAPPENS IF YOU HAVE A COMPLAINT?

AS A RESPONSIBLE AND REGISTERED FINANCIAL SERVICE PROVIDER WE TAKE COMPLAINTS SERIOUSLY.

If you have a concern or issue with our service or products, please let us know so we can try and sort it out as quickly as possible.

When we get a complaint we listen and try to resolve it immediately. If we need to look into the issue in more detail this may take up to 20 working days.

If you are unhappy with the outcome of our investigation you have the right to refer your complaint to Financial Services Complaints Limited (FSCL). FSCL is an external and independent dispute resolution scheme approved by the Minister of Consumer Affairs.

FSCL will gather information and relevant documents from you to assist you in making your complaint. It will then seek a response from us. Once this is completed FSCL will attempt to facilitate an agreement or make a formal decision. Any such decision is binding on us.

We have committed to fully cooperate with FSCL through this process and there is no cost to you for using this service.

HOW DO I CONTACT FSCL?

Freephone	0800 347 257
Telephone	(04) 472 3725
Email	complaints@fscl.org.nz
Web	www.fscl.org.nz

FSCL www.fscl.org.nz

"Well balanced, informative mix of speakers – excellent value for money"

TERMS OF REFERENCE CHANGES

As a result of recommendations made by our independent reviewer, we have made a few changes to FSCL's terms of reference. These changes came into effect on 1 June 2015. The main changes were to:

- increase the amount available for inconvenience compensation from $500 to $2,000
- require participants to have an internal complaints process that reflects their services and scale and to require them to provide information for consumers on their websites about which staff are responsible for complaint handling
- make it clear that if FSCL has concerns about a participant's complaint handling processes, we will undertake an audit and advise on remedial action.

NEW BROCHURES

We have produced two new brochures this year to help raise consumer awareness of FSCL and the disputes resolution regime.

"What happens if you have a complaint?" is designed as a marketing tool for participants, to advise customers what steps they will take to resolve any complaint and the right to access a free and independent dispute resolution service if needed.

"Do you have a problem with a financial service provider?" is a more general guide for consumers, setting out how to complain to us and what we may be able to do to help.

"Interesting and thought-provoking"

SECTOR AND CONSUMER OUTREACH

Our relationships with participants, the wider industry, government, consumer organisations and members of the public are an important part of our business. By working together we can ensure we are doing our job as effectively and efficiently as possible and are helping lift consumer confidence in the sector.

PARTICIPANT RELATIONS

FSCL scheme membership has grown from 300 to 6,100 in the last five years. Our participants include providers of loans and credit, insurance, financial advice, mortgage and insurance broking services, foreign exchange, trustee services and funds management.

We pride ourselves in having positive and constructive working relationships with our scheme participants. We encourage participants to recognise when a customer has a complaint or concern and to then try to resolve the complaint directly with that customer.

We offer a range of tools to our participants to resolve complaints, including:

- the "give us a call" programme
- training on best practice in internal complaints processes
- presentations at participants' professional development days and conferences
- case notes on our website.

We issue quarterly newsletters on matters of interest to our participants and a twice yearly newsletter for lenders (we have over 260 non-bank lenders as scheme participants) with recent cases, law changes and guidance.

Next year we are looking to offer webinars on a range of topics from complaint trends and issues to complaint handling techniques.

During the year our General Manager Trevor Slater and other staff have attended, participated and presented at a number of our participants' events. These range from major conferences such as the Institute of Financial Advisers and Professional Advisers Association combined conference to smaller individual professional development days. We have also run in-house training sessions.

We have presented on various topics, with a particular focus on educating participants in current complaint trends, complaint resolution and prevention.

We undertake regular meetings with many participants, such as adviser dealer groups, industry associations, large participant organisations, industry experts and individual FSCL participants. We do so to gain feedback on the FSCL process and to look at ways that we can offer additional services to our participants.

RAISING CONSUMER AWARENESS

We take every possible opportunity to raise consumer awareness of the service we provide. One of the ways we do this is by working with consumer organisations to increase their understanding of what we do and how we can help.

Our management and staff have presented at a number of training days for budget advisers and Citizens Advice Bureau staff, at training workshops for Community Law Centres and to the Auckland Financial Literacy Practitioners and Providers Network.

We have distributed our new brochure to consumer organisations across the country and have developed a searchable case note section on our new website, to enable consumers to better understand how we approach specific complaints and issues.

Over the last year, we have issued a number of media releases on relevant topics such as the new Fair Insurance Code. We have also given a number of radio and print media interviews on various issues, such as pitfalls with travel insurance.

We hope next year to start issuing guidance notes on issues that are of consumer interest. We are also keen to make progress on a shared entry point to the various financial services dispute resolution schemes for consumers.

SECTOR AND CONSUMER OUTREACH

WORKING WITH INDUSTRY AND GOVERNMENT ORGANISATIONS

During the year we continued to work with key external stakeholders across the financial services and dispute resolution sectors and more widely.

We actively participate in two key industry associations – the Society of Consumer Affairs Professionals (SOCAP) and LEADR & IAMA.

Trevor Slater was elected to the SOCAP Board in August last year. Based in Australia, it has a wide range of resources to help organisations with complaint handling. As dispute resolution becomes a bigger part of doing business in New Zealand, access to SOCAP resources will become more valuable to our participants.

LEADR & IAMA is an association for dispute resolvers, with a particular focus on mediation training and accreditation. All our case managers have completed the LEADR mediation training and Stephanie Chapman and Carl Schreiber are both accredited mediators.

During the year Trevor Slater ran a successful negotiation workshop for LEADR & IAMA members and we hosted and attended a number of LEADR & IAMA events.

Susan Taylor attended the annual conference of the International Network of Financial Services Ombudsman Schemes in Trinidad and Tobago in September 2014, where financial dispute resolution scheme representatives from 36 countries around the world gathered. Issues discussed at the conference included how to prepare for an independent review of a scheme, people management and development, funding models for schemes, and the types of issues financial dispute resolution schemes will be grappling with in the future.

We have also continued our programme of regular meetings with key stakeholders over the last year and provided expert input into a range of matters. This has included:

- working with the Financial Markets Authority (FMA) and Ministry of Business, Innovation and Employment (MBIE) on complaint and jurisdictional issues, and running training for FMA complaints staff
- meeting with the Commerce Commission to discuss issues of common interest and attending their credit roundtable
- attending a workshop for KiwiSaver trustees and managers on improving the experience for KiwiSaver members seeking to withdraw funds early from their KiwiSaver fund
- working with the Commission for Financial Capability on ways we can help raise financial capability levels in New Zealand and contributing to the FMA's draft investor capability strategy
- submitting on the Responsible Lending Code and draft Credit Contracts and Consumer Finance Act regulations, with our CEO, Susan Taylor, sitting on MBIE's advisory group
- submitting on an MBIE proposal to increase the financial dispute resolution schemes' jurisdiction from $200,000 to $350,000 for complaints involving real property insurance
- holding regular meetings with representatives from the other three financial dispute resolution schemes to discuss issues of common interest and ways in which we can work together cooperatively, in particular to raise consumer awareness of the schemes.

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.

The FSCL complaint process was easy to use and understand

86% agree

14% disagree

FSCL staff described the process to me and explained the merits fo my position in relation to the complaint

94% agree

6% disagree

FSCL staff listened to me and showed me courtesy and respect

98% agree

2% disagree

"The staff at FSCL were great at helping. They were fantastic listeners even when I was angry and upset. Not once did they question me negatively. They are very professional".

"I could not have managed to put this problem right without the help of FSCL. I have already recommended FSCL to one of my associates".

The FSCL process provided an outcome in a timely manner

88% agree

10% disagree

2% don't know

CASE STATISTICS

In the year to 30 June 2015, we answered 2,615 consumer enquiries or complaints, down 17% on last year's total. Most 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, we check to see if our scheme participant has had the opportunity to resolve the issue directly with their customer. If not, we will help make that happen. We find that the great majority of complaints are then resolved directly between our participant and their customer, which is in everybody's best interests.

We only open a formal investigation where:

- a consumer has been unable to resolve their complaint with their financial service provider
- a complaint is unresolved after 40 days of a consumer making a complaint to their financial service provider, or
- a financial service provider tells their customer to take their complaint to us.

In 2014/15 we opened 198 cases for investigation, roughly the same number as last year (201). We completed the investigation of 193 cases, a small 5% drop from 2013/14 (202). Our average time to investigate and resolve a case was 54 working days, down from 57 days last year. The average working time compares very favourably to other financial dispute resolution schemes both in New Zealand and overseas.

Once again, complaints against insurers made up the greatest proportion of the cases we formally investigated (29%), but complaints were down in numbers from last year – 57 cases compared to 62. Complaints against lenders were the second largest category (23%), followed by complaints against transactional service providers (10%).

The largest drop in cases by category was for card issuers, with only nine cases investigated this year compared to 20 last year.

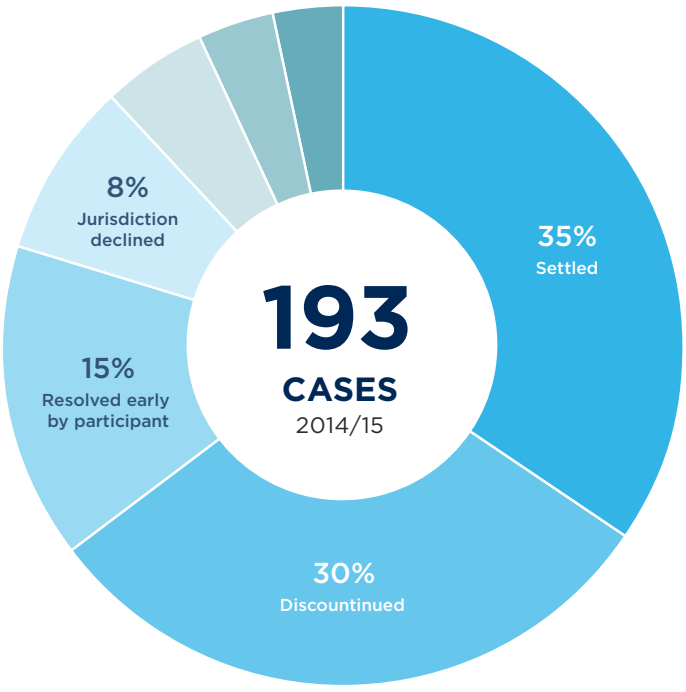
The financial product most complained about was, again, consumer credit arrangements – primarily personal loans to consumers for motor vehicle or household goods purchases, followed by travel insurance.

The vast majority of cases were settled, either by way of an offer by the scheme participant early in our investigation (29), or after negotiations between the participant and consumer, facilitated by one of our case managers (67). In all cases that were settled, the consumer received compensation or some other remedial action such as an apology or loan restructure that satisfied their complaint. We negotiated compensation for consumers totalling $647,814, compared to $786,372 last year.

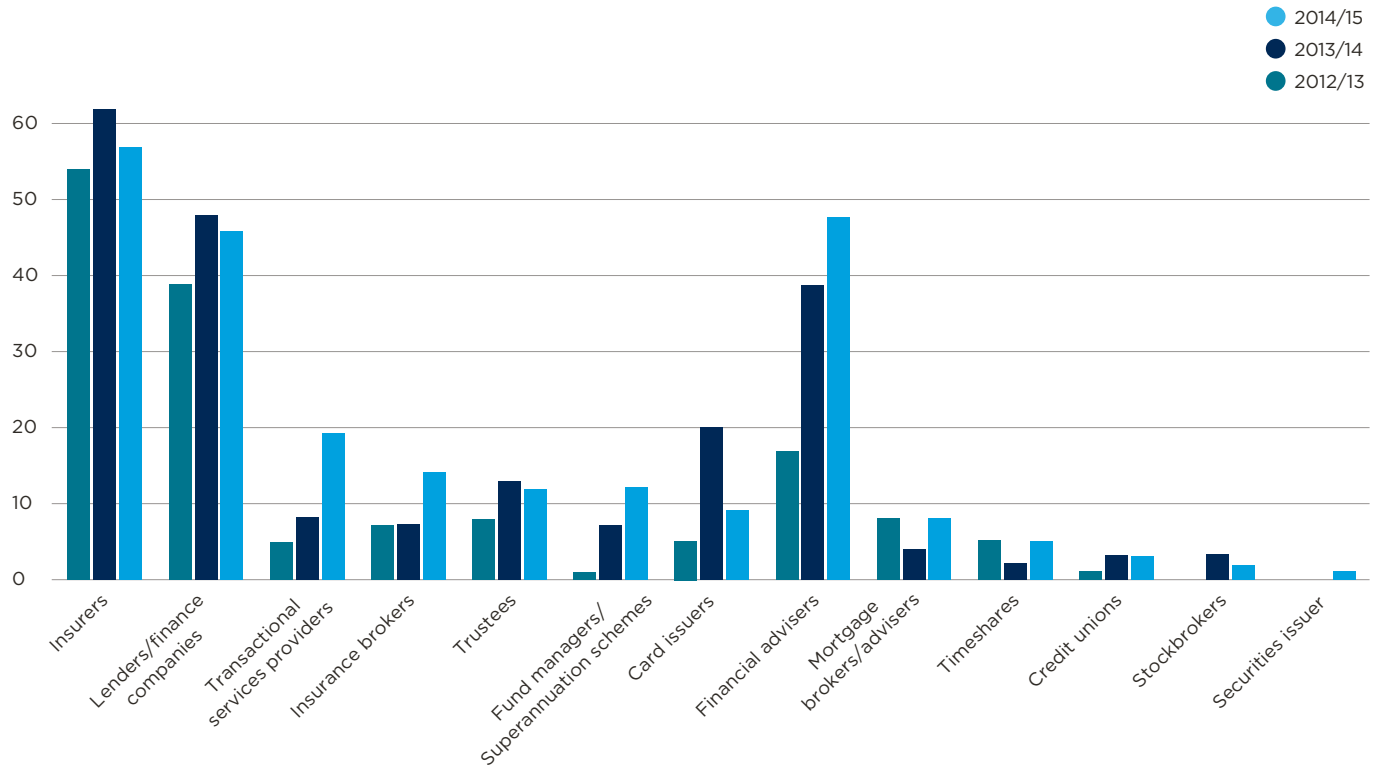
We issued formal recommendations, the final step in our process, on 23 cases. Fifty-eight cases were discontinued by the consumer after we advised them that we were unlikely to uphold their complaint.

CASE OUTCOMES

	12/13	13/14	14/15
Settled (facilitation/conciliation/negotiation)	41	70	67
Discontinued	46	63	58
Resolved early by participant	21	39	29
Jurisdiction declined	13	13	16
Not upheld – formal recommendation	18	7	10
Partly upheld – formal recommendation	5	6	7
Upheld – formal recommendation	5	4	6
Total	**149**	**202**	**193**

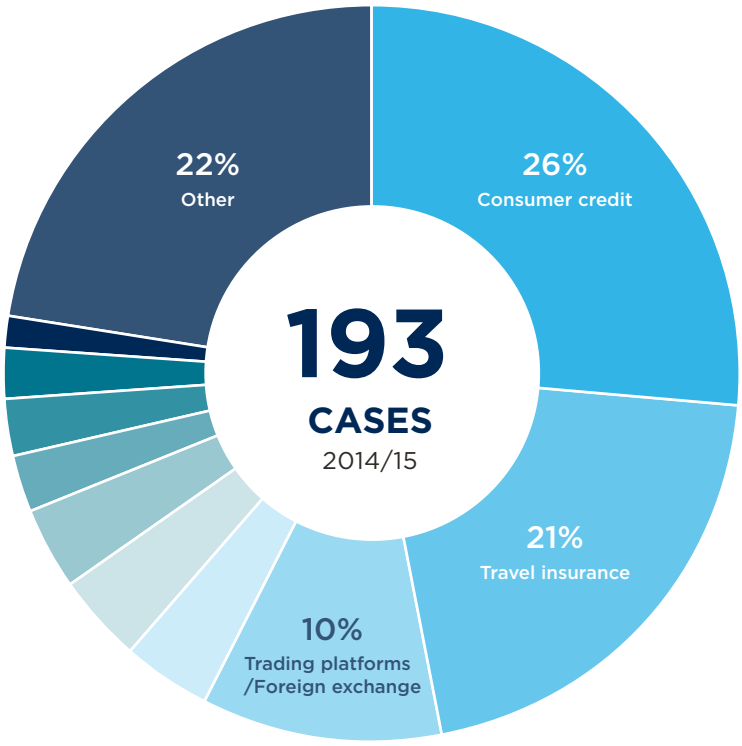


CASES INVESTIGATED BY PARTICIPANT CATEGORY



PRODUCT CATEGORIES FOR CASES INVESTIGATED

	12/13	13/14	14/15
Consumer credit	44	35	51
Travel insurance	42	31	40
Trading platforms/Foreign exchange	13	2	20
Estate administration	3	3	8
Credit cards	12	2	7
KiwiSaver	8	1	7
Timeshares	3	5	5
Managed funds	3	1	5
Superannuation schemes	3	3	4
Term life insurance	3	4	3
Other	49	57	43
Total	**149**	**202**	**193**



CASE ISSUES

REPLACEMENT INSURANCE – PITFALLS AND COSTS

We investigated a number of complaints this year arising from consumers being sold replacement insurance – usually life, health or income protection – by an insurance adviser.

The complaints fell into two broad categories:

- *Where the consumer claims to have been given inappropriate or inadequate advice about the risks of changing insurers, particularly where they have a pre-existing medical condition.*

  We strongly recommend that consumers avoid cancelling an existing insurance policy until they are sure that they will be fully insured by the new insurer, including being covered for pre-existing medical conditions. If a consumer cancels an existing insurance policy before receiving confirmation of full cover from the new insurer, the consequences can be severe as case study 1 on page 19 shows.
- *Where the consumer decides to cancel a new insurance policy within the first two years of cover and is then asked by the adviser to pay a fee.*

  Most advisers are paid commission by insurers for insurance placement. If the consumer cancels the insurance policy within the first two years, the insurance company will "clawback" the commission it paid to the adviser. The "clawback" can often amount to a few thousand dollars. In that situation, many advisers seek to recover the commission they have lost from their client.

  In our view, it is reasonable for an adviser to be paid for the time they have spent advising the consumer and for the work they have done. However, we do not think it is reasonable for an adviser's fee to automatically reflect the amount of the commission they have lost.

  We think the fee should be based on the time spent on advising the consumer and the level of the adviser's expertise, at a reasonable hourly rate. In addition, the fee should be clearly disclosed and explained to the consumer when the policy is being sold. Case study 2 on page 21 is an example of a case where the adviser's fee was not adequately disclosed.

TRAVEL INSURANCE COMPLAINTS

Travel insurance complaints continue to account for a large proportion of the insurance complaints we investigate. Most of the complaints result from consumers:

- not realising that the travel insurance they have bought is more restrictive than they thought
- not disclosing or knowing to disclose a pre-existing medical condition.

If in doubt, consumers should always contact their insurer prior to travel to check on any limits to cover and whether any medical condition which may or may not amount to a "pre-existing" medical condition is covered under the policy.

Case study 3 on page 23 is an example of a case where the policy was limited in the length of the trip it covered. The complainant's original travel booking was for more than 40 days and because of this the policy was never "activated". This meant the complainant was not able to claim for the cost of having to return unexpectedly to New Zealand.

"We strongly recommend that consumers avoid cancelling an existing insurance policy until they are sure that they will be fully insured by the new insurer, including being covered for pre-existing medical conditions."

CONSUMER CREDIT

Complaints about lenders form the second largest category of complaint we investigate. Typical complaints are that the lender is acting unfairly in:

- taking action to recover loan arrears
- repossessing cars or household goods
- the amount of default fees it is charging, and
- the amount of outstanding debt it is claiming from the borrower.

Case study 4 on page 25 is a fairly extreme example of a case where a lender was claiming that the borrowers owed it considerably more than the borrowers thought was due. We agreed with the borrowers and found that the lender had incorrectly calculated interest charged on the loan.

Finally, case study 5 on page 29 is an example of a typical case involving a door-to-door sales company which allows consumers to buy goods, often at inflated retail prices, on credit. The common complaint is that the consumer has not been made aware of credit fees that could be charged. In this particular case we found that the door-to-door sales company had not adequately disclosed the total number of payments the borrower needed to make before the item would be delivered. The company was therefore in breach of the Credit Contracts and Consumer Finance Act.

SYSTEMIC ISSUES

During the year we received a number of complaints that raised systemic issues.

CREDIT CARD COMPLIMENTARY TRAVEL INSURANCE

Most banks offer a complimentary travel insurance product, underwritten by an insurance company, as a benefit that comes with a bank credit card. The consumer is required to pay for half or all of their travel cost with their credit card in order to "activate" the free travel insurance.

"We received a number of travel insurance complaints where cover had been declined because the length of the trip exceeded the policy cover".

We received a number of travel insurance complaints where cover had been declined because the length of the trip exceeded the policy cover. For example, the policy would only cover trips of 40 days duration or less. If the insured books a trip for more than 40 days, the insured does not have any cover at all for any part of the trip. This is a fairly common trap that people relying on credit card travel insurance fall into. In our view, the banks concerned should be taking steps to better and regularly inform their customers of this important limitation and we asked the underwriting insurance company to encourage the banks to highlight this particular limitation under the policy.

DOOR-TO-DOOR SALES

During the latter half of 2014 we received many complaints against a company that sells household goods door-to-door, extending credit to the consumer in order to purchase the goods. The consumer has to make a specified number of payments before delivery of the purchased item is made.

Complainants complained that they had not received their goods by the promised date and in some cases several weeks had passed since the due delivery date and no goods had been received.

The complainants had then cancelled the contracts and were charged a cancellation fee of up to 10-15% of the goods' purchase price. We considered it was unreasonable for the company to charge such a large fee when the company had failed to deliver goods on time. We suggested the company review its practice and since then the number of complaints received has dropped by some margin.

We are aware that the Commerce Commission is also investigating the practices of truck shops and door-to-door sales companies.

CASE STUDY

1

CLAWBACK COMMISSION WHEN FINANCE IS CANCELLED

Joanna was Samantha's mortgage and insurance adviser. In February 2012, she brokered Samantha's home loan finance.

A year later, Samantha asked Joanna to review her trauma, health and income protection insurances. As part of the process, Joanna asked Samantha to sign a terms of engagement. Joanna then placed insurance on Samantha's behalf and received a commission payment from the insurance company.

Towards the end of 2013, Samantha sold her house and repaid her home loan. She used another broker to arrange the lending for her new house. Samantha then informed Joanna that she could no longer afford her insurance payments and wanted to cancel the policies arranged the previous year. Joanna advised Samantha that the insurance company would claw back the commission paid, and Joanna would have to recover this cost from Samantha. The commission clawback totalled $7,500 – $6,000 for the insurance policies and $1,500 for the home loan repaid earlier.

DISPUTE

Samantha told Joanna she did not think she had the right to charge her the $7,500 fee. Joanna offered to reduce the amount to $800, but Samantha refused to pay and complained to us.

Samantha claimed she was unaware that if she repaid her mortgage or cancelled her insurance within two years she would need to pay a fee.

Joanna said the terms of engagement stated she could charge a fee if an insurance policy was cancelled within the insurer's clawback period. She explained she had previously absorbed commission clawbacks, and considered it reasonable for Samantha to pay her for the considerable amount of work she had done on Samantha's behalf.

REVIEW

Generally a lender or insurer pays an adviser for the business brought to them. However, if the finance or insurance is cancelled within a relatively short period of time, the value of the business to the lender or insurer is reduced. Under its agreement with the adviser, the lender or insurer will recover some or all of the commission it has paid. The adviser may then look to their customer to recover all or part of the loss.

We agree it is reasonable for an adviser to be paid for the work involved in arranging insurance or finance. However, the fee must be reasonable and based on the adviser's actual time, expertise and level of service provided.

We have found that disclosure documents do not always adequately explain what might happen if a customer cancels the insurance or repays finance within a short period of time. In this case, we found the line in Joanna's terms of engagement "I may charge a fee if the insurance policy is cancelled within the insurer's clawback period on commission paid" was inadequate disclosure. The clause was buried under an unrelated heading ("What we get paid"), contained jargon and failed to give the customer any understanding of the amount of the fee or when it could be charged.

We consider it best practice for disclosure documents about fees to:

- be written in plain English, avoiding jargon
- be clearly set out and not buried in the document
- be based on an hourly rate, with the broker or adviser keeping a record of the time involved arranging the product
- state a maximum amount that could be charged
- include advice about when the fee will be charged.

RESOLUTION

Part way through our investigation, Joanna advised us she had changed her mind and wished to resolve the complaint directly with Samantha. Joanna agreed to not charge Samantha any fee for cancelling the mortgage finance and insurance. Samantha was happy with the outcome.

CASE STUDY

2

REPLACEMENT COVER REPLACEMENT KNEE

Andy and Sarah had health and life insurance cover with insurance company A.

In September 2014, Andy met with an insurance adviser to discuss whether they could get the same level of cover with another company for a lower premium. The adviser went through Andy and Sarah's financial position and analysed their insurance needs. He then prepared a plan for them. Part of the plan was for Andy and Sarah to change their life cover to insurance company B and their health cover to insurance company C.

Around the same time, Andy went to see his doctor about a minor problem with his knee. He did not tell the adviser about this.

When insurance company B received the application, it sought a copy of Andy and Sarah's medical records. The records included reference to Andy's recent consultation about his knee. Both insurance company B and insurance company C provided Andy and Sarah with cover, but both companies excluded cover for any claims in relation to Andy's knee. By this time, Andy and Sarah had cancelled their policy with insurance company A.

Andy then discovered he needed knee replacement surgery costing around $20,000.

DISPUTE

On discovering he had no insurance cover for his knee, Andy met with another insurance adviser who was able to reinstate their policy with insurance company A. However this excluded cover for any claims in relation to Andy's knee.

Andy also had to back pay premiums to insurance company A in order to get his old policy reinstated – meaning he ended 'doubling up' on insurance premiums.

Andy complained to us that his adviser should not have told Andy and Sarah to cancel their existing policy before ensuring the new policy provided adequate cover. He claimed the adviser could reasonably have been aware of the issue with cover for his knee and as a result of his actions, Andy and Sarah were out of pocket by close to $25,000.

REVIEW

It quickly became clear that there were a number of 'grey' aspects to the complaint. These included whether the adviser had acted prudently to warn Andy about the risks of cancelling existing insurance cover before getting full cover accepted by a new insurer, and whether Andy should have disclosed more information about his knee.

RESOLUTION

We facilitated a conciliation conference between the parties where a settlement was reached, with no admission of liability from either side, that the adviser would pay $13,250 to Andy and Sarah in full and final settlement of the complaint.

CASE STUDY

3

NO COVER IF INSURANCE NOT ACTIVATED

Shannon travelled to Turkey to visit family. While there, her husband, who was back in New Zealand, fell ill and Shannon needed to return home early. She purchased a new return ticket for $1,600 USD.

Having received complimentary travel insurance when she booked overseas travel using her bank credit card, Shannon made a claim for the cost of the new ticket.

The insurance company declined Shannon's claim on the grounds that an insurance policy was only activated where a trip was booked for a period of 40 days or less. Shannon's original trip, at the time she left New Zealand, was booked for a period of 42 days.

Shannon then complained to FSCL.

DISPUTE

Shannon claimed she was unaware of the 40 day restriction in the insurance policy. However, she argued that in any event she should be covered for her loss because it occurred only 13 days into her travel period – within the 40 day time period.

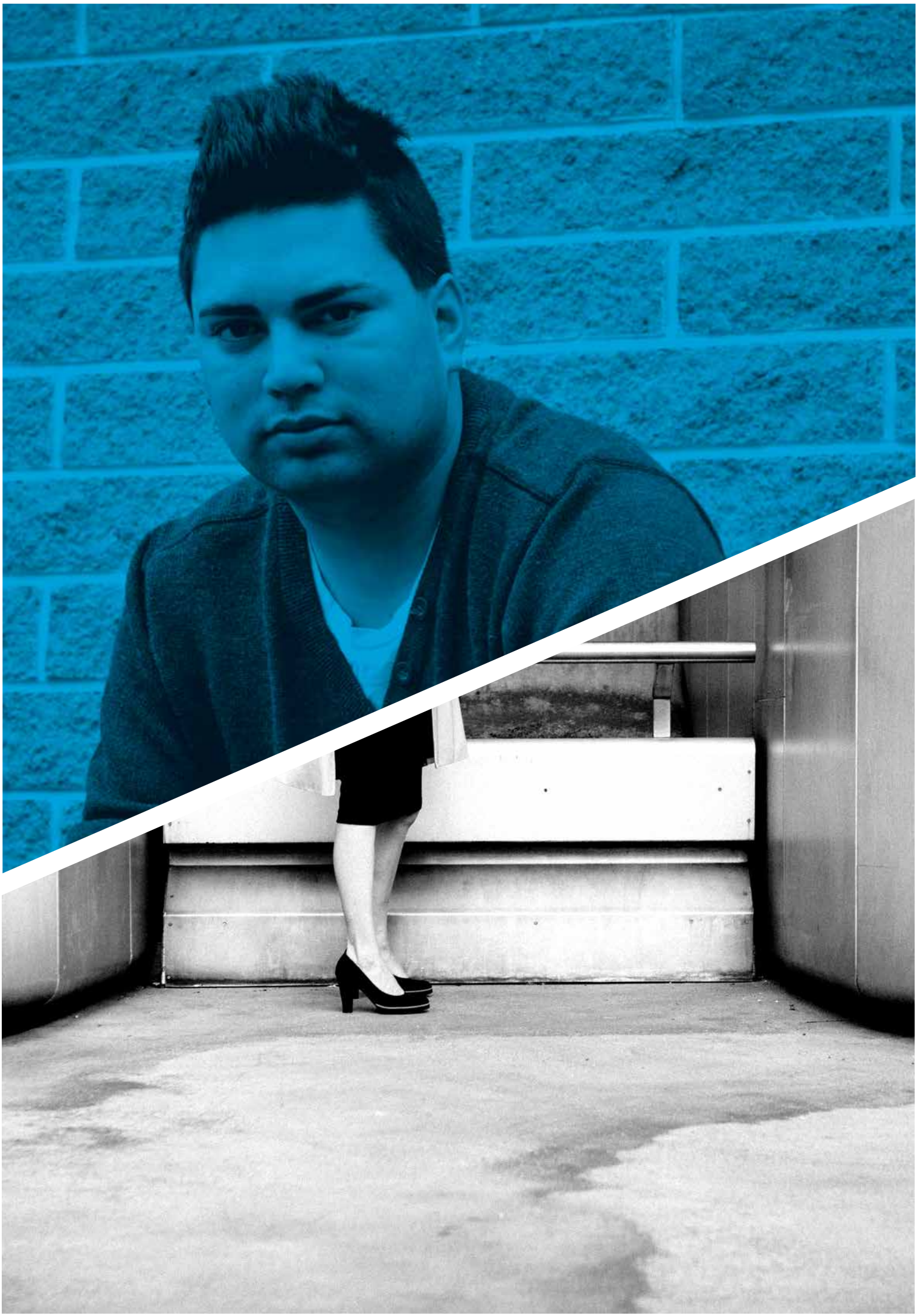
REVIEW

We found the insurance company was entitled to decline Shannon's claim for the cost of the new ticket. The company's policy clearly stated that cover under the policy was not activated unless return flights were booked, before leaving New Zealand, with a total round trip period of 40 days or less. Although Shannon returned to New Zealand within 40 days, the flight she returned on was not booked before she left New Zealand. Shannon's trip, at the time she left New Zealand, was booked for a period of 42 days, therefore there was no contract of insurance in place.

It was unfortunate that Shannon was unaware of the 40 day time limit under the policy and that Shannon suffered a financial loss as a result. However, an insurer is entitled to limit the level of risk it is prepared to cover and to set the policy's terms and conditions. The customer then has a responsibility to read and understand those terms and conditions. If the circumstances of a customer's claim do not meet the terms and conditions for cover to be provided, the insurance company is entitled to decline the claim.

RESOLUTION

After discussing the issue with us, the insurance company decided to offer Shannon an ex-gratia payment of $750 NZD as a goodwill gesture. Shannon accept the ex-gratia payment in full and final settlement of her claim.



CASE STUDY

4

A COSTLY LESSON IN COMPOUND INTEREST

In November 2006, Sam and Patsy bought their first home. To complete the purchase, they signed a credit contract with a loan company for $9,471.50. The loan had a total repayment figure of $17,561.98 over a five-year term. As security, the loan company took an agreement to mortgage over Sam and Patsy's home.

Sam and Patsy missed their first payment and increased their weekly repayments to pay off the arrears. Over the next two years they made loan payments, however, these were often late or for insufficient amounts. Each time they missed a payment, the loan company wrote to Sam and Patsy stating the outstanding arrears. The loan company advised that if the arrears were not paid, then the full loan balance would become due immediately together with penalty interest and costs.

In March 2013, after making regular fortnightly payments for the previous four years, Sam and Patsy received a letter from the loan company saying it would stop charging interest on their loan. The loan company advised that it had only charged interest at 8.4% since July 2009 and that if Sam and Patsy kept their payments at $70 per fortnight, the loan balance would come down reasonably quickly.

A year later, Sam and Patsy decided to refinance their home loan. They contacted the loan company for a settlement balance and were told it was approximately $9,000. However, a month later, the loan company wrote to Sam and Patsy demanding payment for $51,846.05 it claimed was overdue. The loan company demanded Sam and Patsy increase their payments to $100 per week or it would issue a Property Law Act notice (PLA) to sell their home.

Sam and Patsy were shocked. They asked the loan company how the loan balance had increased so dramatically in a few weeks and were told the first balance did not include interest.

Sam and Patsy tried to negotiate with the loan company but in August 2014 it served a PLA, demanding $116,351.45 as a result of further default interest added, plus legal costs, within the month or it would sell their home. The loan company later offered to reduce the balance to $52,798.34 in full and final settlement of the loan.

At this stage, Sam and Patsy complained to FSCL.

DISPUTE

Sam and Patsy complained that the loan company:

- had not told them that the entire loan amount had been called up and become due and owing after their first missed payment in November 2006
- incorrectly calculated their loan balance and unreasonably applied default interest to the entire loan over the full term
- had not advised them their total outstanding loan was incurring default interest for almost eight years
- had misled them about their loan balance, total arrears and the interest rate.

In the circumstances, Sam and Patsy claimed the loan company's conduct in serving the PLA was oppressive.

The loan company believed that as Sam and Patsy had missed their first payment, the full balance of the loan became due and it could charge default interest on the full loan balance from this time. The loan company did not think its later correspondence and conduct should impact on the loan contract.

CASE STUDY 4

A COSTLY LESSON IN COMPOUND INTEREST CONTINUED

REVIEW

We investigated and found that the loan company had complied with its legal obligations of initial disclosure under the Credit Contracts and Consumer Finance Act and was not required, under the then applicable law, to provide continuing disclosure.

However, the loan company had never given Sam and Patsy notice that the full loan balance had become due and owing when they missed their first repayment. As there was a mortgage over the loan, the loan company had to serve a PLA in order to do this, which it did not do. This meant the full loan balance could not be considered 'overdue', and the loan company was incorrect to charge default interest on the entire loan. It was only entitled to charge default interest on any overdue amounts.

We found the loan company had no basis to demand $116,351.45. A responsible lender would have advised Sam and Patsy much earlier that the loan was incurring default interest and their repayments were insufficient. In our view, because the loan company had claimed for much more than was actually outstanding, the PLA notice was invalid and was unreasonable and oppressive conduct.

RESOLUTION

Sam and Patsy had paid over $21,000 to the loan company since November 2006. We calculated a fair outstanding balance by taking the loan balance from July 2009, applying an interest rate of 8.4% and deducting all payments made by Sam and Patsy. We also considered that Sam and Patsy were owed some compensation for the stress and inconvenience caused by the loan company.

We proposed Sam and Patsy pay the loan company $7,619.70 as full and final settlement of the loan, which both parties agreed to. Sam and Patsy were able to make payment, clear their loan obligations and successfully refinance their home.

LESSONS FOR LENDERS AND BORROWERS

Borrowers should monitor their payments to ensure they are meeting their payment schedule. A lender is obliged to provide an accurate arrears balance and a default balance and this should include all interest.

We expect a responsible lender to inform a borrower when they are in default, provide an accurate balance to clear the arrears and work with the borrower when they see a pattern of missed payments.

Lenders have to comply with the laws and required processes to demand payment of the full outstanding balance before it is due. This process requires – at a minimum – written notification to the borrower that the full balance is due and owing. A Property Law Act notice must be served if there is a mortgage over land as security.

Lenders and borrowers should work together to ensure they each understand the loan and are able to meet their respective obligations under it.

CASE STUDY

5

THE DIFFICULTIES OF DOOR-TO-DOOR SHOPPING

In February 2014, Agnes entered into an agreement with a door-to-door sales company to purchase a 42 inch television that came with a free home theatre system.

Agnes was advised she needed to make weekly payments of $34.95 for 52 weeks. The agreement stated that the television and home theatre system would be delivered within 15 working days after 17 payments had been made.

In September 2014, after making her 17th payment, Agnes received her television, but not the home theatre system.

Agnes had expected that her payments would end on 3 March 2015. However, in February 2015, the door-to-door sales company informed Agnes that she still had several payments to make to cover the 'fees'. The same month – a year after entering the contract – Agnes received a home theatre system, but it was a different brand to what she had expected.

DISPUTE

Agnes disputed the additional fees she was charged and argued that under her contract, she should only have to make a total of 52 payments of $34.95. She complained that the door-to-door sales company had taken too long to deliver her home theatre system and that it had misled her about the brand she would receive. Agnes also claimed that when she entered into the contract she was told it would be a Panasonic home theatre system.

REVIEW

Agnes' contract did not state the total amount she was required to pay. The front page of the contract showed that there needed to be a weekly payment of $34.95 over 52 weeks. The back page listed credit fees that would not be included in the total number of payments to be made. This meant that there were fees on Agnes' account on top of the purchase price of the goods. We calculated that Agnes would have to pay an additional $171.

In our view, the door-to-door sales company breached the Credit Contracts and Consumer Finance Act 2003 by not disclosing the total number of payments required to pay the total amount due under the credit contract. The company should have calculated that Agnes would actually have to make 57 payments of $34.95 and added this to the contract.

We also looked at whether the door-to-door sales company had unreasonably delayed delivering the home theatre system and whether it had the right to supply a different brand.

The company said that it had tried unsuccessfully to deliver the home theatre system to Agnes in September 2014 and had then ended up delivering the system to another customer. Shortly afterwards it had advised Agnes of an issue with supply. The company referred to a clause in its terms and conditions which said any time stated for delivery was an estimate only and it would not be liable for any delay in delivery to the customer.

In our view, Agnes' free gift should have been redelivered after the first unsuccessful attempt. The nearly seven month delay between September 2014 and February 2015 was unnecessary and unreasonable.

In regards to the brand of home theatre system it eventually delivered, the door-to-door sales company claimed that the only brand of home theatre system it provided as a free gift during 2013 and 2014 was Konka and disputed Agnes' claim she was told it would be a Panasonic system.

CASE STUDY

5

THE DIFFICULTIES OF DOOR-TO-DOOR SHOPPING CONTINUED

The contract described the free gift as: 'full home theatre system' which, in our view, provided the opportunity for a misunderstanding about the type of home theatre system being offered. If the Konka home theatre system was the only home theatre system being offered as a free gift, the contract should have stated 'Konka home theatre system'.

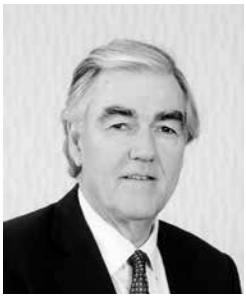
RESOLUTION

We found that the company was bound by its representation on the contract and recommended that Agnes was only liable to pay 52 payments of $34.95, which the company accepted. We also warned the company that it needed to be careful to comply with its disclosure obligations under the Credit Contracts and Consumer Finance Act. The company was able to calculate the full amount to be paid by Agnes, including weekly fees, at the time that Agnes signed the contract. It followed that the company should have been able to calculate the total number of weekly payments Agnes would need to make and to disclose this to Agnes at the start of the contract.

However, we recommended that she retained the Konka home theatre system, and didn't take any further action on the complaint.

Agnes was happy that she wasn't required to make any further payments to the company. Although Agnes would have preferred a Panasonic home theatre system, she accepted that she could not prove that at the time she entered into the contract she was told that this was the brand she would receive.

BOARD DETAILS



KENNETH JOHNSTON
Board Chair

Kenneth is a Wellington barrister and past National Managing Partner of one of New Zealand's large national law firms. Since commencing practice as a barrister in 1997, Kenneth has specialised in commercial litigation, but is also regularly engaged in more general civil litigation, and as an arbitrator and mediator.

Kenneth is a member of the New Zealand Law Society, the New Zealand Bar Association, the Arbitrators' and Mediators' Institute of New Zealand, and a member of LEADR's Advanced Mediation Panel.

BRUCE CRONIN
Consumer representative

Bruce has a management degree (Accounting) from Victoria University and a post-graduate degree in social science (Psychology) from Massey University. He is a Justice of the Peace; a Fellow of the NZ Trustees' Association (NZTA); and Deputy Chair of the Tauranga Energy Consumer Trust (TECT). Bruce has been extensively involved with community groups for over 30 years and in 2014 received the NZTA Trustee of the Year award.

RAEWYN FOX
Consumer representative

Raewyn has been the Chief Executive Officer 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 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.

ROGER J KERR
Industry representative

Roger Kerr is a Partner in PwC New Zealand. Roger was formerly a director and one-third shareholder in Asia-Pacific Risk Management Limited and has over 30 years' merchant and investment banking experience in 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.

Roger was a member of the Board of Trustees of the National Provident Fund from June 2003 to May 2012 and was Board Chairman of charitable trust service provider and fund manager Trust Investments Management Ltd from 2004 until October 2012.

GARY YOUNG
Industry representative

Gary has been the IBANZ 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 of IBANZ College, an NZQA accredited PTE within financial services.

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 of 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 FSCLs participants is available on its website – www.fscl.org.nz

SHAREHOLDER

The shareholder of the company holds the shares on trust for the fulfilment of the 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

Trevor Slater
General Manager

Rhonda Singleton
Enquiries and Administration Manager

Carl Schreiber
Case Manager

Meryn Gates
Case Manager

Stephanie Chapman
Case Manager

Josephine Byrnes
Early Assistance Officer

Michael Saywell
IT Officer

Kylie Gore
Administration Assistant
(from October 2014)

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
Revenue	1,689,226	1,558,252
Gross surplus	**1,689,226**	**1,558,252**
Expenses		
Administration	1,465,407	1,384,932
Finance	17	-
Non cash items	70,325	43,379
	1,535,749	1,428,311
Net business surplus	**153,477**	**129,941**
Other income		
Interest received	93,737	77,791
FSCL conference	1,147	-
	94,884	77,791
Net surplus	**248,361**	**207,732**

SUMMARY STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
Net surplus for the year	248,361	207,732
Equity at beginning of year	1,781,125	1,573,393
Equity at end of year	**2,029,486**	**1,781,125**

SUMMARY FINANCIAL STATEMENTS

SUMMARY BALANCE SHEET

AS AT 30 JUNE 2015

	2015	2014
Equity	**2,029,486**	**1,781,125**
Current assets		
Cash, bank balances and short term deposits	1,827,637	1,642,005
Receivables	79,936	53,416
Prepayments	25,092	22,524
Work in progress	-	-
	1,932,665	1,717,945
Non current assets		
Property, plant and equipment	253,339	200,526
Intangibles	-	4,859
	253,339	205,385
Total assets	**2,186,004**	**1,923,330**
Current liabilities		
Accounts payable	54,052	30,650
Income In advance	1,580	3,120
Accrued charges	74,683	70,232
Lease incentive	26,203	38,203
Total liabilities	**156,518**	**142,205**
Net assets	**2,029,486**	**1,781,125**

APPROVAL OF FINANCIAL STATEMENTS

These summary financial statements have been approved by the board on 28 August 2015.

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

The Summary Financial Statements have been prepared for the individual entity Financial Services Complaints Limited for the accounting period ended 30 June 2015. Also included for comparative purposes are figures for the period ended 30 June 2014.

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.

The Full Financial Statements for Financial Services Complaints Limited have been prepared in compliance with the New Zealand Tax Administration (Financial Statements) Order 2014. From 1 April 2014, the Financial Reporting Act 2013 has come into force replacing the Financial Reporting Act 1993, this is effective for applicable companies with reporting period beginning on or after 1 April 2014.

Financial Services Complaints Limited's constitution required that general purpose financial reports be completed within five months of the company's balance date in line with the now repealed Financial Reporting Act 1993. The constitution has since been amended and approved by the Board and the Minister to require the preparation of special purpose financial statements within five months of the company's balance date. Financial Services Complaints Limited's reporting requirements now need to be in compliance with the Tax Administration (Financial Statements) Order 2014.

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 2015 were authorised for issue by the directors of Financials Services Complaints Limited on 28 August 2015 and an unmodified audit report was issued by BDO at that date.

The Full Financial Statements for the year end 30 June 2014 were authorised for issue by the directors of Financials Services Complaints Limited on 27 August 2014 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/.

SUMMARY FINANCIAL STATEMENTS

BDO WELLINGTON

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 statement of financial position as at 30 June 2015, and the statement summary of comprehensive income, and summary statement of changes in equity for the year then ended, and other related notes and other explanatory information are derived from the audited Financial Statements of Financial Services Complaints Limited for the year ended 30 June 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 28 August 2015.

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 Financial Statements
The directors are responsible for the preparation of a summary of the audited 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 audit. We conducted our audit in accordance with International Standards 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 Statements of Financial Services Complaints Limited for the year ended 30 June 2015 are consistent, in all material respects, a fair summary of those special purpose financial statements in accordance with FRS-43.

BDO Wellington

BDO WELLINGTON
28 August 2015
Wellington
New Zealand

COMPANY DIRECTORY

REGISTERED OFFICE

Level 4,
101 Lambton Quay
Wellington 6011

INCORPORATION NUMBER

2303993

IRD NUMBER

103-018-668

DIRECTORS

Kenneth Johnston
Bruce Cronin
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

Level 4, Legal House, 101 Lambton Quay
PO Box 5967, Wellington 6145
T (04) 472 3725
www.fscl.org.nz

FSCL
FINANCIAL SERVICES COMPLAINTS LTD