

Annual Report

Te Pūrongo-Ā-Tau

A Financial Ombudsman Service



FINANCIAL SERVICES COMPLAINTS LTD
RATONGA PŪTEA PUNA MANAAKI

2024 / 2025



About us

We are a trusted, independent, not-for-profit financial ombudsman service that helps resolve disputes between consumers and their financial services providers when they are unable to resolve a problem on their own.

Fair and effective ombudsman services are critical for maintaining a prosperous and healthy financial services sector. When consumers and providers know they have a trusted place to turn to when disputes arise, they can do business with greater confidence.

Our guiding principles

Fairness

Our processes and approach are guided by fairness to consumers and firms

Independence

We are free from influence

Accessibility

Our services are free, and easy to find and use

Efficiency

We ensure disputes are resolved quickly and fairly

Effectiveness

We operate under comprehensive Terms of Reference and undergo independent reviews of our performance

Accountability

We share case summaries and insights on complaints and industry issues

What we do

We resolve complaints and disputes between consumers and financial services providers, and share our expertise and insights with consumers, industry, and regulators.

We investigate complaints including complaints about credit, finance and loans, insurance, money transfer services, investments, financial advice, and KiwiSaver.

Why we do it

Effective ombudsman services advance fairness and trust in Aotearoa's financial sector by providing efficient, independent, and accessible dispute resolution services to consumers and their providers. We feed data and insights back into the system to support continuous improvement in the sector.

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Snapshot of our year



DISPUTES UP

4%

COMPLAINTS UP

3%

366
DISPUTES
INVESTIGATED
AND RESOLVED



“ Keep up the good work

“

Webinars are varied and informative.

“

Communications so far are great – the updates and newsletters are informative and at the right frequency. The level of service from FSCL early assistance team and case managers is clear, empathetic, supportive, transparent and timely and fair.

18

WEBINARS

FOR SCHEME PARTICIPANTS



10

WEBINARS
& HUI

FOR CONSUMERS

ENGAGEMENT
WITH



- Financial mentors
- Community lawyers
- Media
- Volunteer organisations
- ... and more

“ I think FSCL is doing an amazing job.

Jane Meares

Board Chair



Chair's Introduction

Kupu Whakataki a te Heamana

This year marks a significant milestone for Financial Services Complaints Limited (FSCL) as we celebrate our 15th birthday. From humble beginnings, FSCL has grown into a well-respected financial ombudsman service, resolving complaints between our scheme participants and their clients in a fair, accessible and effective way.

We are incredibly proud of our reputation and the positive impact we continue to have on New Zealand's financial services sector.

Independent review

Our strong reputation and service level were confirmed by the findings of FSCL's third independent review. Under our legislation and rules, an independent review of every approved dispute resolution scheme must be conducted every five years, to ensure that the scheme complies with the principles of accessibility, independence, fairness, accountability, efficiency and effectiveness. Our latest review was completed this year by Nanette Moreau Hammond. Ms Moreau Hammond said that FSCL sets a benchmark for independence and professionalism in dispute resolution, as a service that is both trusted and valued by stakeholders.

Our Board and management were delighted with the strong and positive findings, which recognise our high standard of service in delivering fair and efficient dispute resolution in a dynamic financial services environment. FSCL's service is described as timely, responsive, accessible, trusted, credible, and well-reasoned.

These affirmations are a testament to the dedication and expertise of our team.

The report also reveals that FSCL is the only financial dispute resolution service with a positive Net Promoter Score, according to recent research by financial mentoring charity, FinCap.

Ms Moreau Hammond made several recommendations to further enhance our service, all of which we have accepted.

Raising awareness

An excellent report doesn't mean we can rest on our laurels. Despite our achievements, there is still much work to do to educate consumers and raise awareness of complaint resolution services. This can only be achieved with a united effort: participants promoting FSCL's service to their clients, regulators ensuring that financial service providers meet their legal obligations relating to complaints, and continued collaboration with the other dispute resolution schemes and the regulators on consumer outreach initiatives.

Key performance indicators

The Board welcomes the Minister of Commerce and Consumer Affairs' initiative to introduce a set of common key performance indicators (KPIs) for all four dispute resolution schemes operating in the financial services sector, to be reported on from 1 July 2026. The KPIs include measuring the average time for resolving disputes, measuring consumer and participants' satisfaction with our service, complaint trends, and how consumers find out about our service. This move will support consistency in reporting, enhance transparency, and help drive continuous improvement across the sector.



Strategy and finance

In last year's Chair's message, I noted that we were evaluating a merger with the Insurance & Financial Services Ombudsman Scheme. Sadly, that will not be proceeding, although the FSCL Board did feel that a merger had the potential to improve consumer outcomes and create further efficiencies that could benefit everyone.

As a result, this year, the Board refreshed our organisational strategy to ensure we remain focused on our mission. This will include taking steps to increase our profile and improve consumer awareness of our important service, along with being responsive to the evolving needs of all our stakeholders.

Our financial position is strong, including a sizeable cash surplus at year's end. We plan to invest this surplus in a new member and case management platform. We expect a new platform will, in time, deliver considerable improvements and efficiencies in our work processes. The surplus also enabled us to keep annual fees the same as last year. A modest increase in case fees has, however, been necessary to reflect increasing staff costs and to ensure we continue to deliver a high-quality service.

Board news

At the end of this year, we will be farewelling Mary Holm after nine years. Mary consistently offers invaluable insights and has an indefatigable commitment to consumer interests, which are greatly appreciated at the decision-making table. She will be very much missed. Recruitment for a new consumer representative director will begin later this year.

Thanks

I wish to express my gratitude to all my fellow directors for their work over the past year. They continue to be engaged and passionate about the work that FSCL does.

Finally, I sincerely thank our Ombudsman and Chief Executive Officer, Susan Taylor, and the entire FSCL team for their dedication and hard work. As noted above, our very positive independent review would not have resulted without them.

Together, we look forward to building on our achievements and continuing to serve the interests of both consumers and financial service providers in the years ahead. And to use an appropriate whakatauki, Mahia te mahi, hei painga hei oranga mo tātou katoa.

To do the work, for the good of everyone.

“

Despite our achievements, there is still much work to do to educate consumers and raise awareness of complaint resolution services. This can only be achieved with a united effort.



Financial Ombudsman's Introduction

Kupu Whakataki a te Kaitiaki Mana Tangata mō te Pūtea

Fifteen years ago, FSCL began as a small, determined scheme. Today, we are a trusted voice for fairness, having helped thousands of consumers and financial service providers find practical, just outcomes when they have had a financial problem.

Complaints and disputes numbers

It's been another busy year for FSCL. Disputes and complaints were up 4% and 3%, respectively, from last year's figures. The first half of the reporting year saw slightly lower complaint numbers, but we've seen a surge in disputes in the past two months. We had a significant increase in general enquiries - 3,161, up from 2,526. These are where the consumer is making a general enquiry about a financial service provider, product, or wants general information about our service, but doesn't yet have a complaint.

We believe this reflects growing awareness of our service, with more consumers reaching out when they have a question or need help. With economic times still posing challenges for many consumers and small businesses, we expect to see continuing high numbers of enquiries and complaints.

We see complaints across the spectrum of financial services, apart from banking, and this year was no exception, with disputes spread more evenly across different industry sectors than in the past. Complaints about non-bank lenders made up approximately 20% of disputes, followed by complaints about insurers at 17%, and credit card providers at 16%. Complaints about financial advisers, professional trustee companies, and transactional service providers all increased.

Independent review

A highlight this year was receiving our independent review report from our reviewer, Nanette Moreau Hammond. I am pleased with her thorough and thoughtful report, which recognises our strengths and provides valuable recommendations. We're committed to implementing those recommendations over the coming years to enhance our service.

Raising awareness

Raising consumer awareness is a critical recommendation. We strive to ensure our service is accessible to all New Zealanders, but we know that the most effective way for consumers to find us in their time of need is through their financial service provider.

To this end, we launched a guide to help participants promote external dispute resolution and their own internal complaints process, and hosted a well-attended webinar to explain the guide. We also began auditing participants' websites to check how well they are informing clients of our dispute resolution service, as well as their own internal complaints process. Early results are promising.



Consumer outreach

Consumer outreach is central to our mission. In June, we hosted a well-received hui in South Auckland with the other financial dispute resolution services. Community leaders, advocates, and industry partners came together to explore how we can better serve all New Zealanders, break down barriers, and make our service even more accessible. These conversations are vital — and energising.

Training for participants

We've continued delivering our popular monthly webinar series for participants, sharing insights from cases we've investigated. We share these learnings to prevent similar complaints and to raise industry standards and practices.

Some of the topics we've covered this year are:

- Supporting vulnerable consumers and managing challenging behaviour
- Lending – including co-borrowers, reasonable offer and the importance of good communication
- Travel, vehicle, and property insurance cases.

Coming up

Looking ahead, we're embracing the introduction of new, sector-wide key performance indicators to bring greater consistency and transparency in measuring and reporting our impact. These will help drive ongoing improvements across the industry.

A highlight on the horizon is the opportunity to co-host, with the Insurance & Financial Services Ombudsman Scheme and the Banking Ombudsman Scheme, the International Network of Financial Services Ombudsman Schemes' annual conference in Queenstown this October. We look forward to connecting with our global peers, sharing experiences, and learning from each other.

Thanks

I express my thanks to our Chair and fellow directors for their guidance, support, and diligent governance. I especially thank Mary Holm, who steps down from the Board at the end of this year, for her highly valued input and dedication.

To FSCL's awesome team: I thank you for your hard work, professionalism, and commitment to fairness in what has been another busy and challenging year, in more ways than one. We could not have achieved all that we have, including the excellent independent review report, without your dedication and desire to do the right thing. Together, we can look forward to building on our achievements and continuing to serve New Zealanders with integrity and care.

Ehara taku toa i te toa takitahi, engari he toa takitini. Success is not the work of one, but the work of many.

“

A highlight this year was receiving our independent review report from our reviewer, Nanette Moreau Hammond. I am pleased with her thorough and thoughtful report, which recognises our strengths and provides valuable recommendations. We're committed to implementing those recommendations over the coming years to enhance our service.

Case statistics

We saw modest increases in both new complaints and disputes.

Financial advisers – including mortgage and insurance brokers, as well as wealth advisers – had the largest proportion of cases at **23%**, followed by **lenders** at **20%**, and **insurers** at **17%**.

“

I only wished that I had contacted your organisation sooner. Speedy resolution and a very positive experience. Staff who I had dealings with were professional, efficient and pleasant. Thank you.

1,469

TOTAL COMPLAINTS OPENED

3% INCREASE

UP FROM 1,426 IN 2023-24

What is a Complaint



Our early assistance team helps refer complaints about financial service providers to their internal complaints process. Our team keeps a watching brief to ensure the complaint is satisfactorily resolved.

373

TOTAL DISPUTES OPENED

4% INCREASE

UP FROM 359 IN 2023-24

What is a Dispute



We formally investigate the complaint and help negotiate the resolution or withdrawal of the complaint.

The cases we completed for each category:

Number of case investigations	Working day target	Completed within target
61 simple	20 days	85%
214 standard	65 days	86%
91 complex	130 days	83%

Simple cases can be resolved easily, usually within four weeks of the file being opened, and with little work from our team.

Standard cases involve common complaint issues and do not raise any unusual facts, novel issues, or points of law.

Complex cases involve difficult questions of fact or law, large files, and if one or both parties exhibit challenging behaviour.

Case outcomes

366

INVESTIGATIONS
COMPLETED
2024/2025

We negotiated or awarded
compensation totalling:

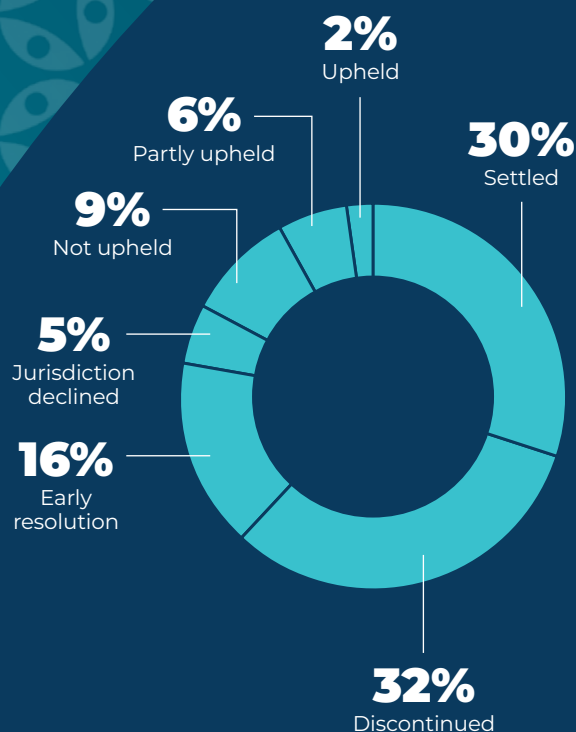
\$1,750,706

Up from last year's compensation
of **\$1,131,493**

The single largest award this year
was for **\$301,500**

“

Just wanted to say thank you
to everyone that supported
me, listened to me and looked
at my case. This includes the
ombudsman herself. It made
me feel much better about the
entire situation and this support
is really helpful for me to move
on from a very emotionally
loaded experience.



	24/25	23/24	22/23
Early resolution <ul style="list-style-type: none"> Resolved by participant, very early in the process, sometimes with the help of our Early Assistance Team 	57	62	39
Jurisdiction declined <ul style="list-style-type: none"> Complaints fall outside our rules 	19	17	10
Settled (facilitation/ conciliation/negotiation) <ul style="list-style-type: none"> Resolved without a final binding decision on a participant Consumer usually receives compensation or other remedial action 	111	125	88
Discontinued <ul style="list-style-type: none"> Consumer discontinues their complaint when we tell them we are unlikely to uphold it 	116	103	82
Formal decision* <ul style="list-style-type: none"> Not upheld Partly upheld Upheld 	33 24 6	38 14 5	26 15 14

* previously referred to as formal recommendation



What happens in Vegas...

Hunter and Erana's Las Vegas holiday took an unexpected turn when a day club overcharged them thousands of dollars.

...gets charged to your card

The couple booked a table at the day club with their friends and handed their credit card to the staff to cover the costs of the food and drinks they and their friends ordered. They said they arranged a drinks package and some food for their guests, totalling around US\$1,700.

Drinks, dinner and a \$7,500 surprise

After a few hours, Hunter and Erana left, collecting their credit card without getting a receipt. They expected the final bill to be US\$3,000 — the minimum spend specified by the club. When they checked their statement, they were shocked to see they had been charged more than US\$7,500.

The chargeback boomerang

The day club ignored Hunter and Erana's requests for a receipt, so the couple applied for a chargeback from their credit card provider, which was initially approved. This was reversed after the day club provided copies of several signed receipts. The receipts, along with the charges processed with the card being present, supported the day club's view that all the charges were 'authorised'.

Receipts appear - but are they legit?

Hunter and Erana claimed that the signatures on the receipts were not theirs and the day club had overcharged them US\$4,700 for items they didn't order or authorise.

We reviewed the credit card provider's terms and conditions, which said that a consumer is not liable for unauthorised charges if they comply with the card terms and conditions, including:

- Keeping the card secure at all times
- Checking that the card is in your possession

- Not letting anyone else use the card
- Taking your card back after making a charge.

Leaving your plastic behind comes at a cost

We acknowledged that it is common for hospitality venues to request holding a consumer's credit card behind the bar. However, by doing so, Hunter and Erana had compromised their card's security and breached its terms and conditions, meaning they were liable for the charges, even though they said they had not authorised them.

The T&Cs that left them out of pocket

We found that the credit card provider had done what they could by attempting to charge back the disputed charge. However, when the day club provided evidence to support the charges, the provider was required to reverse the chargeback.

We noted Hunter and Erana's comments about the validity of the receipts the day club submitted. However, assessing whether the day club's actions and whether the receipts are valid were outside our remit. We only assess whether the credit card provider needs to refund unauthorised charges. The couple could continue to dispute the charges directly with the day club.



Resolution

We did not uphold the complaint.



Insights for consumers

Don't let the venue babysit your card

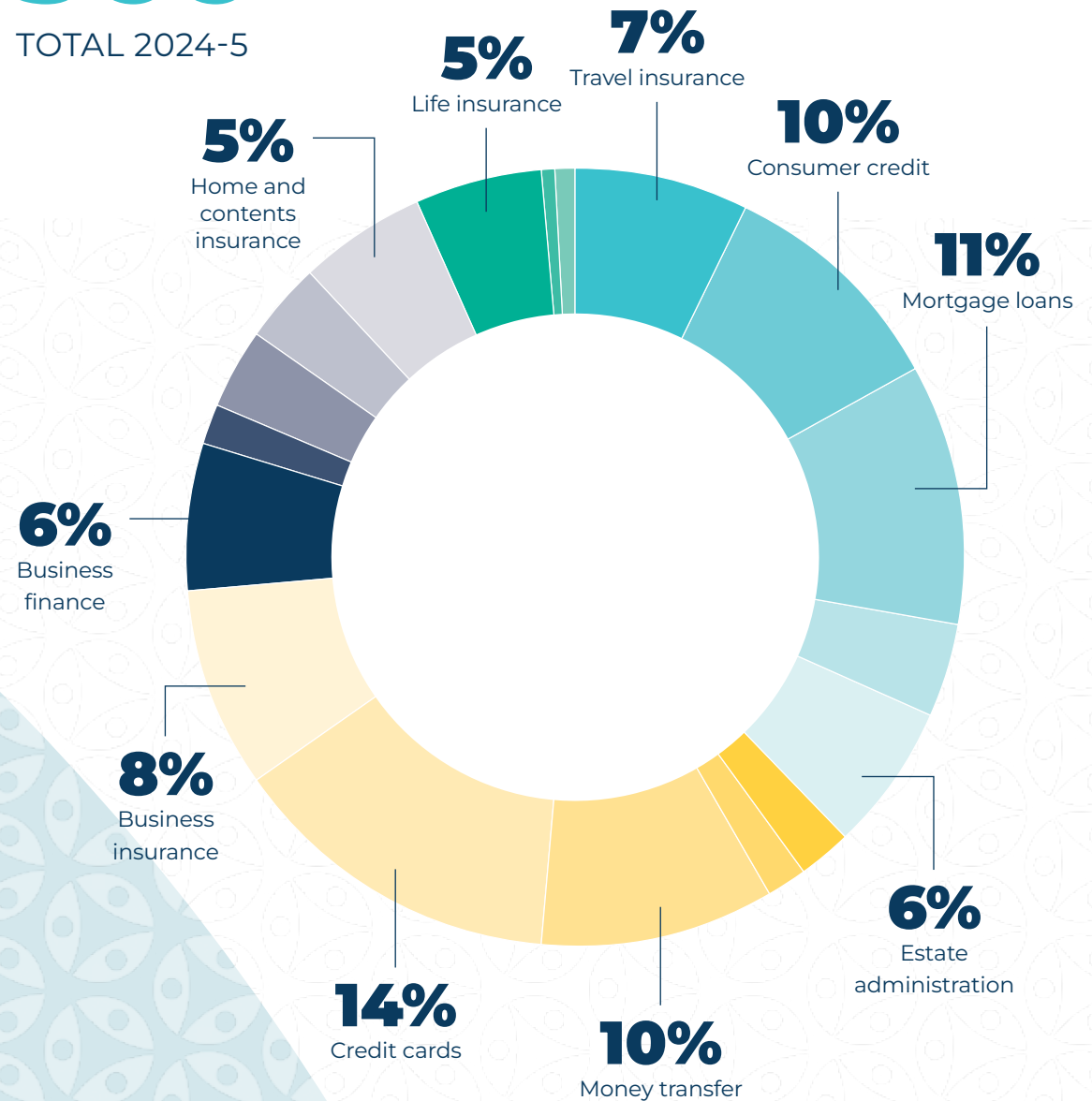
Letting a merchant hold onto your card may be common practice at hospitality venues, and even required at some, but it is likely to breach your card provider's terms and conditions. By handing your card over, you risk giving up some of the protections your card provider offers.

Product categories for cases investigated

	2024-5	2023-4	2022-3
Travel insurance	27	15	12
Consumer credit	36	106	86
Mortgage loans	39	42	17
Travel cards	14	14	8
Estate administration	23	16	9
Motor vehicle insurance	8	10	3
Trading platforms/ foreign exchange	6	6	9
Money transfer	36	10	13
Credit cards	50	51	20
Business insurance (formerly material damage insurance)	31	19	23
Business finance	22	18	14
Health	0	3	3
Professional indemnity	6		
KiwiSaver	13	3	11
Superannuation and managed funds	12	10	7
Home and contents insurance	19	13	8
Life	19	13	11
Securities	2	3	9
Other	3	12	11

366

TOTAL 2024-5



Curtain call: Are samples “Stock” or “All other property” in insurance claims?

Diego, a curtain retailer, suffered flood damage in late January 2023 and made a claim with his insurer for extensive damage to his shop. His insurer paid part of his claim, but declined to pay him \$30,000 for 400 destroyed curtain samples.

The insurer said that Diego’s business books had categorised his samples as ‘all other property’, which had insurance coverage of up to \$20,000, not ‘stock’, which had coverage of up to \$80,000.

Diego argued that the samples should be treated as stock because customers viewed them in-store to see what they would be buying. As Diego hadn’t used the full \$80,000 cover for stock, he said that he should be paid out for the samples under his stock cover. Diego had paid premiums for \$100,000 of total cover, so he said he should receive the full benefit of it.

Diego’s accountant explained that the samples had been incorrectly categorised as ‘all other property’ in the business’s books by the previous business owner, but should have been categorised as stock.

During our review, we spoke to an independent insurer who said that the policy definitions were not clear-cut, creating a grey area, and they would have likely accepted Diego’s claim. This view was similar to opinions that Diego had obtained from other insurers.

In deciding cases, our Ombudsman must deal with a complaint on its merits, and do what is fair, having regard to the law, codes of practice, and good industry practice. Because the curtain samples could equally have been regarded as stock, and other insurers likely would have paid the claim, we determined that not paying the claim would be unfair to Diego.

As our overarching consideration is fairness, we found that the insurer should have accepted Diego’s claim for the curtain samples, based on the views of the other insurers and Diego’s accountant.



Resolution

The insurer agreed to pay Diego \$30,000 for the curtain samples, which Diego accepted.

KiwiSaver and hardship: Why you can’t always get what you need

Donna was facing financial hardship due to a year’s unpaid medical leave, so she applied to withdraw her full \$40,000 KiwiSaver balance. She wanted the funds to pay off credit card debt and ease her financial strain while off work. Her employer supported her leave, her doctor confirmed her medical situation, and she received a sickness benefit from WINZ.

Her KiwiSaver supervisor approved \$11,000 to cover essential expenses for 13 weeks, explaining that Donna could reapply if financial hardship continued.

Donna felt this was unfair, arguing her circumstances wouldn’t change during the year. She pointed out that her home, valued at about \$1 million with a \$100,000 loan, meant her retirement needs were taken care of. She felt the KiwiSaver supervisor had no right to withhold *her* money and should show more flexibility given her personal and financial circumstances. In her view, the rules were too harsh, and it made no sense that she could not use her KiwiSaver funds to pay off her credit card debt.

We understood why Donna wanted to use her KiwiSaver funds to pay off debt. However, industry practice does not allow it. In limited circumstances, a supervisor may approve a withdrawal to pay debt arrears if someone is experiencing significant financial hardship because they cannot meet their minimum living expenses.

We explained to Donna that the KiwiSaver rules are set by legislation, and we can only investigate whether the supervisor complied with the law and industry practice. The KiwiSaver rules allow a supervisor to approve an amount to address the specific hardship a person is experiencing. We were satisfied that the supervisor had correctly applied the KiwiSaver rules and their own policies in assessing Donna’s hardship application.

We did not uphold the complaint.



Insights for consumers

The purpose of the KiwiSaver scheme is to ensure that Kiwis save and have funds available for their retirement. Early withdrawals — before the eligible superannuation qualification age of 65 — are only permitted in very limited circumstances. The supervisor must be satisfied that the applicant will not be able to meet their minimum living expenses if their funds aren’t released.

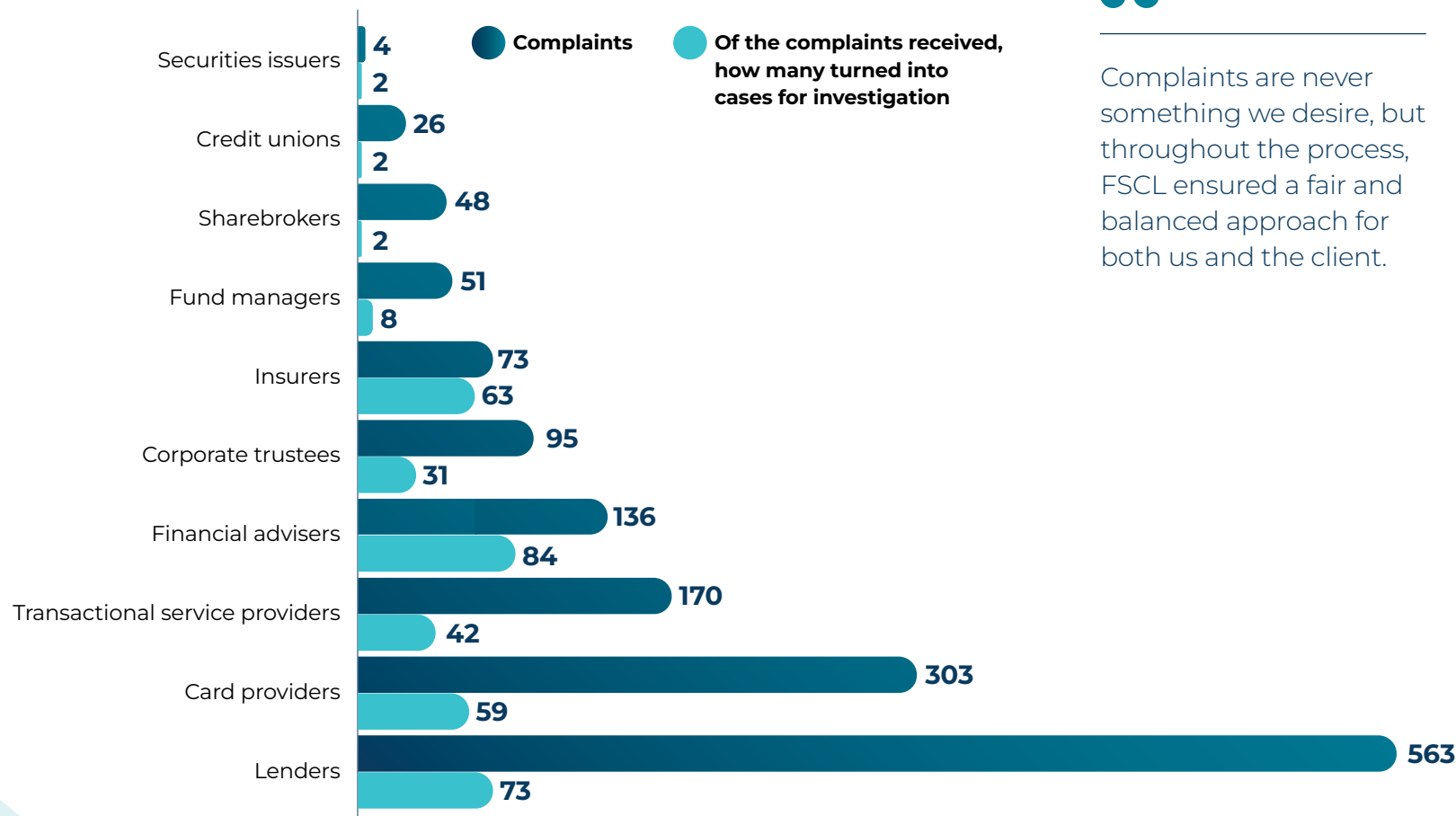
WE RECEIVED
1,469
COMPLAINTS

OF THESE,
366
BECAME
CASES WE
INVESTIGATED

Complaints received by participant category

We received 1,469 complaints in the 2024-25 year. Lenders accounted for the largest share at 38%, but many of these were resolved before escalating to a dispute needing formal investigation. Card providers accounted for 21% of complaints, followed by transactional service providers at 12%.

Of the complaints received, 366 became cases we investigated.



“

Complaints are never something we desire, but throughout the process, FSCL ensured a fair and balanced approach for both us and the client.

The \$3,000 clawback fee:

How early loan repayment can bite customers back

Tim used a mortgage adviser to buy an investment property in August 2024, which settled three months later. The adviser received a commission from the lender for arranging the loan.

Adding a Partner

A month after settlement, Tim refinanced the loan with the same adviser to add his partner as a co-borrower and co-owner, as they decided to live at the property together.

Enter the inheritance

Before the new loan could be finalised, Tim received an inheritance and decided to use this money to pay off the loan and cancel the refinancing.

How paying off the loan early cost Tim \$3,000!

Because the loan was paid within 28 months, the adviser invoiced Tim \$3,000 as a clawback fee, calculated at \$250 per hour and capped at \$3,000, as agreed in their contract.

How many hours make \$3,000?

Tim disputed the fee, feeling the adviser hadn't done enough work to justify it, and questioned whether the hourly rate was reasonable.

Price of changing your mind

We reviewed the case and found that Tim understood a clawback fee might apply if he repaid the loan early, and had signed an agreement specifying the \$250 hourly rate with a \$3,000 cap. The adviser's records showed 21 - 29 hours of work done on Tim's refinancing, which at \$250 an hour, amounted to \$5,250-\$7,250. Due to the cap, Tim was only charged \$3,000.

Commission: The invisible mortgage price tag

We explained that mortgage advisers usually earn commission from the lender when arranging a loan, so

clients are not typically charged directly. However, if the loan is repaid early — within the first two to two and a half years — the lender can reclaim part, or all, of that commission. The earlier the loan is repaid, the more commission the adviser loses. In Tim's case, the mortgage adviser had to repay \$5,250 to the lender.

We concluded that the adviser had acted fairly, was transparent about the potential costs, performed the work, and kept within the fee cap. We were also satisfied that the \$250 hourly rate was consistent with industry standards.

Resolution

Our decision was that Tim should pay the \$3,000 fee to the adviser.



Insights for consumers

Before signing an agreement with a mortgage adviser, carefully read and understand all terms, especially about clawback fees and hourly charges. Clawback fees are common if you repay or refinance a loan within the first couple of years, as advisers may have to repay part, or all, of their commission to the lender.



Insights for advisers

Clear communication about clawback fees and hourly rates is essential. You should explain what a clawback fee is, when it might apply, and what fees clients could incur.

Having a signed agreement setting out these terms helps to manage expectations and avoid disputes. Keeping accurate records of time spent on a file also helps justify charging fees. Consider a flexible approach — especially when loans are repaid closer to the end of the clawback period — to maintain trust with clients.

366

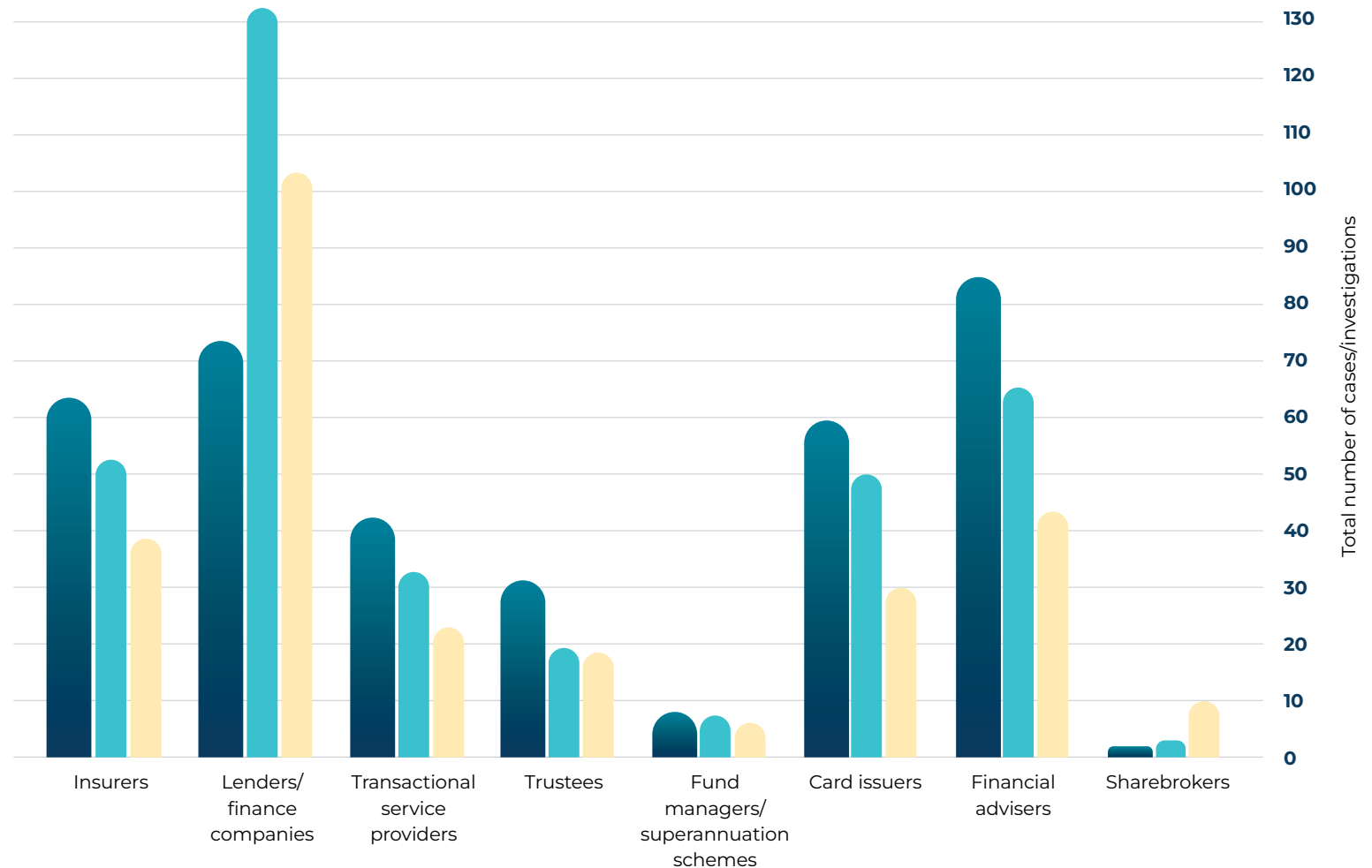
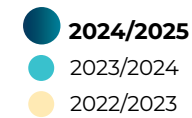
TOTAL
2024/2025

“

Appreciate your help. It's interesting that one needs to engage your services and then the insurers will actually respond to your claim. They would not have otherwise. Thanks

Cases investigated by participant category

These are now more evenly distributed across a broader range of financial services, rather than being concentrated in just a few areas, such as non-bank lenders - which accounted for approximately 20% of disputes (down from 36.5% last year).



Lost in transactions: How Keith and his provider split the bill on suspicious charges

Keith discovered 190 unrecognised transactions totalling \$30,000 on his business account with a transactional service provider between July 2023 and January 2024. The provider declined reimbursement, citing no evidence of unauthorised access and a delay in reporting the suspicious activity.

Blame game begins

The disputed transactions included online payments to overseas merchants, and approximately \$2,000 in card and PIN purchases at NZ shops. Keith claimed he didn't make these, lived alone, always kept his card with him, hadn't written down the PIN, and no-one else had access to his devices.

He speculated that the provider's system may have been hacked, but there was no evidence to support this. The provider, meanwhile, claimed Keith had made the transactions, but also couldn't provide supporting evidence.

The terms and the tangle

Under the account's terms and conditions, the provider would reimburse the customer for unauthorised transactions unless the customer had acted fraudulently or with gross negligence.

After reviewing the evidence, we found it likely that Keith had made the NZ transactions, as some were to merchants he had previously dealt with, and were made using his PIN.

It's possible for fraudsters to obtain debit card details, such as number, name, expiry date, and CVV number, without any negligence on the part of the account holder.

How we made our decision

We deemed the overseas transactions to be inconsistent with Keith's usual spending pattern and unlikely to have benefited him.

The provider's policy relies on customers regularly checking their account history and reporting any unauthorised transactions within 13 months. Keith had notified the provider within this timeframe, but admitted to having difficulties accessing his online account.

We thought he should have contacted his provider for advice sooner. If he had, he would have discovered the unauthorised transactions earlier and minimised the loss.

In our view, a fair resolution was for the provider to reimburse Keith for half of the loss.



Resolution

Keith and the transactional service provider accepted our decision, and Keith was reimbursed \$14,000.



Insights for consumers

Regularly check your accounts for irregularities, such as unauthorised transactions, mistaken or duplicated transactions, even if you seldom use the account. Otherwise, the financial service provider may not reimburse unauthorised transactions.



Insights for financial service providers

If you consider that a customer is responsible in some way for disputed transactions on their account, you must provide evidence.

Food truck fiasco: The cost of missed affordability checks

Kevin, a self-employed builder and former chef, borrowed \$28,000 in October 2021 to buy a car, but struggled with repayments. In July 2022, he borrowed another \$23,000 from the same lender to purchase a food truck to improve his financial situation. The business never got off the ground, and Kevin missed payments on both loans.

A broken letterbox and missing repossession letters

The lender refinanced Kevin's debt twice. By late 2023, they had sent repossession warning letters for both loans. Kevin said he didn't receive them because his mailbox had been destroyed, and asked the lender to email him instead.

Could a buyer end Kevin's finance woes?

Shortly after Christmas 2023, Kevin found a buyer for the food truck and emailed the lender for the repayment amount. The lender responded in early January with the figure and attached the repossession warning letters. By then, the prospective buyer had lost interest, and the sale fell through. Later that month, the lender repossessed and sold the food truck, leaving \$8,000 still owing on the loan.

Kevin argued that the lender was not entitled to repossess the food truck because they had not emailed the repossession warning letter in December 2023. He acknowledged receiving the January email with the warning letter attached, but didn't open it, assuming it related to the sale of the food truck. As the purchaser had lost interest, Kevin deleted the email.



Food truck fiasco continued...

Argument over affordability assessment and phone manners

Kevin disputed the sale price and claimed that the lender failed to meet responsible lending obligations when approving the loans. He believed that the finance broker had entered incorrect information in the affordability assessment.

During our investigation, Kevin listened to phone recordings and heard a lender's staff member express frustration to a colleague about having to take his call. Kevin found this very upsetting.

The lender apologised for the staff member's conduct but stood by their affordability assessments and repossession process.

The word of law

Under the Credit Contracts and Consumer Finance Act 2003 (CCCFA), the lender was obliged to make reasonable enquiries to be satisfied that Kevin could repay the first loan without suffering substantial hardship.

Were the loans affordable?

Kevin's personal bank statements showed large deposits and fairly modest personal living expenses, suggesting the loan was affordable. However, many withdrawals were for his building work. Once those were factored in, Kevin's budget showed a deficit of \$1,300 a month instead of a \$4,000 surplus.

The legal remedy

In our view, the first loan was unaffordable. This meant the legal remedy of a refund of all interest and fees should apply. Kevin could continue repaying this loan at \$100 a week and keep the car.

What about the food truck?

Because the food truck loan was for business purposes, the CCCFA obligations did not apply, and the lender was not obliged to follow the robust affordability assessment. However, the lender should still have checked how Kevin would repay the loan. They made no enquiries, and the loan was clearly unaffordable, resulting in the food truck being repossessed.

We agreed with Kevin that the staff member's comments were unacceptable.

We were satisfied that the lender had met their legal obligations when repossessing and selling the food truck, because:

- there was no evidence that Kevin had told them he no longer had a mailbox
- it seemed unlikely that the repossession agent would have told Kevin that he had three months to retrieve his personal items from the food truck, and
- it took a couple of months for the food truck to sell at auction, but diary notes showed the lender pushing the auctioneer to negotiate a higher price. Indicating they sought the best price reasonably obtainable at the time.

Our decision

The lender had not met their legal obligations when assessing the affordability of the first loan, and had not met a reasonable standard of care in assessing the affordability of the food truck loan. We said a fair result was for the lender to:

- refund the interest and fees on the first loan, reducing it from \$23,000 to \$11,000, to allow Kevin to repay the loan at \$100 a week, interest free, and keep the car

- halve the \$8,000 residual debt owing on the food truck loan, bringing the debt to \$4,000, interest free, to be repaid at \$20 a week, and
- pay \$250 compensation for distress caused by the staff member's comments.

The lender agrees and Kevin heads to court

The lender accepted our decision and offered to further reduce the food truck loan by \$2,000.

Kevin did not accept our decision or the lender's improved offer. He said he intended to take his complaint to court.



Insights for consumers and participants

A lender's obligation to assess loan affordability before approving a loan depends on whether it is for personal or business purposes.

If the loan is for personal use, the law requires lenders to make reasonable enquiries to be satisfied that the borrower can repay the loan without suffering substantial hardship. If the lender fails to meet this obligation, the lender must usually refund the loan interest and fees, and allow the borrower to repay the residual debt at an affordable amount.

There is no equivalent obligation for business lending, but we expect a lender to make some enquiries on how the loan will be repaid.

15 years of resolving complaints

Fairly, independently, and effectively

For fifteen years, we've been supporting New Zealanders and their financial service providers to resolve complaints — championing fairness, independence, and delivering results. Our work reflects not just the changing challenges consumers face, but also the events that disrupt daily life. These influence the types and volume of complaints we receive, and the redress we help achieve for consumers.

From answering more than 42,000 enquiries to securing nearly \$13 million in compensation and refunds, our track record shows the difference we make.

These results demonstrate how complaint patterns have shifted across products and sectors, shaped by global events such as Covid-19 and broader changes in the financial landscape.



Most investigated products

Types of financial products that received the highest number of cases over the fifteen years.



- **Consumer credit** complaints peaked during 2022-2024, with 192 complaints investigated in those two years, dropping to 36 in the past year.
- We investigated 101 **credit card** cases in the past two years — nearly half of all cases in this category over 15 years.
- **Travel insurance** complaints peaked during 2019-2021, with a total of 181 complaints, likely due to Covid-19 travel disruptions.
- **Business insurance** cases have steadily increased since 2019, with 114 of 134 total cases occurring since then.
- **Mortgage loan** cases have also increased in recent years, with the majority investigated within the last four years.

Highest complaints by participant category



A Financial Ombudsman Service



FINANCIAL SERVICES COMPLAINTS LTD
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SHAREHOLDER

The Board Chair 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

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