



FINANCIAL  
DISPUTE  
RESOLUTION  
SERVICE

Financial Dispute Resolution Service

2017  
2018

Annual Report

*Connection is key*

 FairWay

# Highlights

1 July 2017 - 30 June 2018



Our membership has grown by over 20%.

**1874**  
Scheme members

**915**

Enquiries received  
(up from 812 in previous year)

**9**

Only 9 complaints required formal dispute resolution assistance



**99%**

of all enquiries were closed through our early resolution process

## Industry Awareness



15 webinars



15 member events



87 sector engagement meetings and events



21 sector training events



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# Advisory Council Chair foreword

*It is my pleasure on behalf of the Advisory Council of the Financial Dispute Resolution Service to present the 2017/2018 annual report.*

Financial Dispute Resolution Service (Service) has had another successful year with a continued focus on quality, professionalism and improving the services offered to members and their clients. The Service is an approved scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2010.

It has been a transformational year with a new Client Director, Trevor Slater, and an improved complaints process. The Service is excellently led by Trevor and we are seeing great results from the increased focus on early resolution.

It is pleasing to see the continued growth in membership numbers and enquiries to the Service. I am also pleased by the findings of the recent independent review which confirmed that the Service is professionally run and provides an effective and efficient service to users.

The emphasis in the coming year will be on resolving complaints through our members own internal complaints processes and, where needed, with assistance from the Service. We will continue our focus on supporting and growing membership numbers and assisting our members to improve their own internal complaints capability. I would like to thank Trevor and his team for providing a quality independent service to our members and their clients.

I wish to acknowledge and thank the Board of FairWay for their continued oversight, support and management of the scheme.

Finally, I would like to thank my fellow Advisory Council Members: Pushpa Wood, Bill Bevan, David Whyte and Justin Kerr, for their continued support and guidance to me and the Service over the past year.



A handwritten signature in blue ink that reads "Stephen Ward".

**Stephen Ward**  
Chair of Advisory Council

# Client Director report

## ***“Connection is key.”***

It has been a busy year for Financial Dispute Resolution Service and my first year with FairWay Resolution Limited.

The theme for 2017/18 was ‘connection is key’ and we spent a large portion of the year connecting with financial providers and customers. Over the course of the year, we presented at dozens of events, attended a wide range of meetings and were part of several roadshows. We also focused on keeping our members connected to the latest news and learnings in the financial sector through our webinar series. Our webinar on the emergence of cryptocurrencies and blockchain was so popular that we have scheduled a follow up Q&A session.

We have also placed a large emphasis on increasing our membership, which has grown by over 20 percent in the past year. We look set for a record-breaking membership during the 2018/19 financial year. I think the key here is that members see that we can add value and support them. I see Financial Dispute Resolution Service as more than an approved dispute resolution scheme for our members. We are a trusted partner - we not only help them to both prevent and resolve disputes, but we also provide learning opportunities and friendly advice.

Since joining Financial Dispute Resolution Service in September 2017, I have been working with the team on ways we can improve our service for both financial service providers and customers. This has led to a few improvements, including a new look website, changes to our own complaints management process and a new educational webinar series for financial advisers.

The changes to our internal complaints process centred around providing more opportunities and support to assist financial providers to mutually resolve complaints with their customers. These changes have resulted in a significant reduction in the number of disputes requiring formal dispute resolution intervention, which is a great outcome for both consumers and financial providers.

In my view, our new process sets Financial Dispute Resolution Service apart from the other schemes. I believe that we have the biggest focus on agreed resolution and less on formal adjudication. I also strongly believe that the dispute resolution skills in our team are the best in the business.

Due to changes in our process and how we report, we cannot accurately compare our statistics with previous years. However, the results of our changes have been very positive. With our greater emphasis on early resolution, only one percent of all enquiries received have required more formal dispute resolution assistance. Timeliness has also improved, with KPIs fully met and 100% of cases completed within three months.

Every five years we are required to have an independent review undertaken to ensure we continue to comply with the legislative requirements as an approved external dispute resolution scheme. 2018 marks five years since we were initially approved. An independent review was undertaken by Simon Roughton from Orb Solutions and his report has been presented to Hon Kris Faafoi, the Minister for Commerce and Consumer

Affairs. The Reviewer found, "Financial Dispute Resolution Service is a successful and professionally run scheme which provides an effective and efficient service to users of its service. It complies with the provisions as set out in s.52 as mandatory considerations for approval and s.63 of the Financial Service Provider (Registration and Dispute Resolution) Act 2008 which prescribes the rules that need to be included in an approved Dispute Resolution Scheme."

The Reviewer also made some recommendations on improvements that can be made to the scheme. These are discussed later in the report.

I would personally like to thank my small, but dedicated team for their commitment and customer focus over the past year. Each day, they support our members and assist customers in conflict to find a way forward. Their hard work focussing on empowering parties to resolve disputes really shows in our results. While Financial Dispute Resolution Service has a small dedicated core team, we are also part of FairWay Resolution Limited, New Zealand's largest specialist dispute resolution. We receive invaluable business support from across FairWay and I would like to also thank all those who have contributed and supported Financial Dispute Resolution Service throughout the year.

Finally, a big thank you to the members of the Advisory Council who have provided me with great support throughout my first year. It is very much appreciated.

The year ahead provides much opportunity and challenges especially in the financial advice space. We will be there to help our members and their clients to resolve any issues they encountered, whilst at the same time continuing to build the business of Financial Dispute Resolution Service.

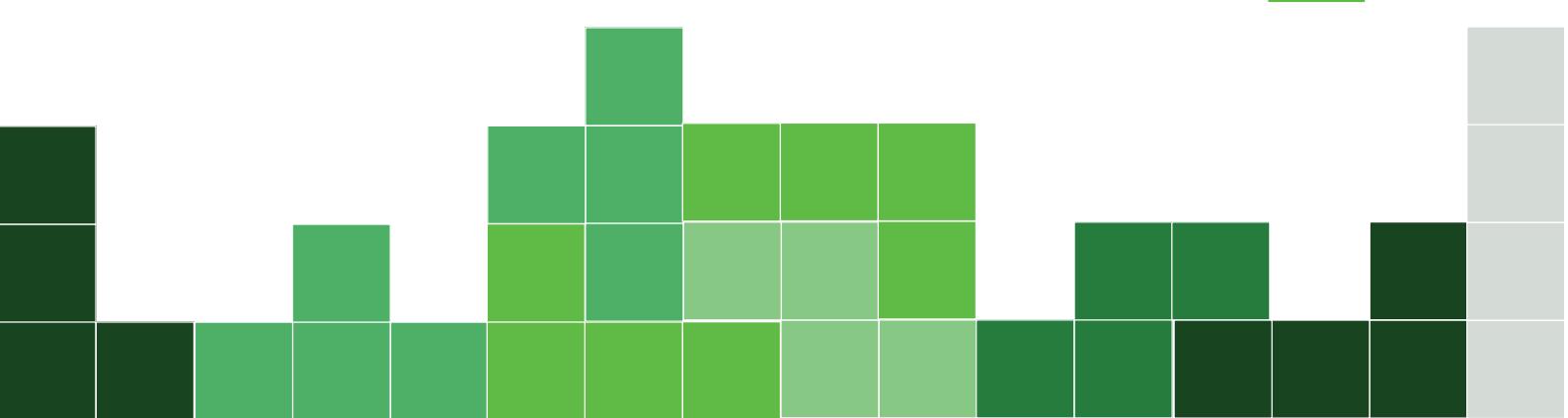
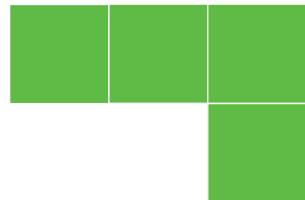
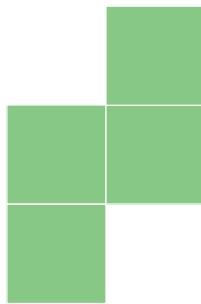
Our theme for 2018/19 is ***Let's Resolve and Build Together.***



A handwritten signature in black ink, appearing to read "Trevor Slater".

**Trevor Slater**  
Client Director of Financial  
Dispute Resolution Service

# About Us



# Who we are

## *Here are some of our features*

### Early Resolution



Financial Dispute Resolution Service is focussed on the early resolution of complaints. Our independent experts support financial service providers and their customers to reach an agreement. We only use adjudication as a last resort.

### Financial Experts

We have a combination of both practical experience of working within the financial industry and expertise in dispute resolution. This makes us experts at resolving financial complaints.



### Here to Help



We provide members with free internal complaint process information to ensure they are compliant with legislative requirements for complaint handling. We also have a free 'help-line' to assist if they receive a complaint from a client.

### Industry Leaders

Financial Dispute Resolution Service is part of FairWay, New Zealand's largest specialist dispute resolution organisation. With our wide range of experience in handling complaints, you can trust that we have the expertise to help.



### Free Services



We offer a range of free services to help our members prevent and manage complaints, including:

- Our 'Tuesdays at 10' monthly webinar
- A monthly webinar for Financial Advisers
- Access to discounted training that has CPD credits
- Free attendance at conferences and professional development days.

# What we do

*Financial Dispute Resolution Service has a layered process which aims to resolve disputes as early as possible.*

Financial Dispute Resolution Service is an approved financial dispute resolution scheme in New Zealand, established and approved under the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

Financial service providers must be on the Financial Service Providers Register, operated by the Companies Office, and be a member of an external dispute resolution scheme.

If you have a complaint about a financial service provider who is a member of our service, then we will work with you and your financial service provider to reach agreement on your complaint.

The first step is an opportunity for you and your financial service provider to work out the issue together. If that does not work, Financial Dispute Resolution Service will actively work with both you and your financial service provider to settle the matter as quickly as possible.

If no agreement can be reached, Financial Dispute Resolution Service may make a decision which is binding on the financial service provider.

The phases are:

## **1. Initial Complaint and Early Resolution**

When a consumer contacts us, our first step is ensuring that the scheme member has been made aware of the complaint and has an opportunity to resolve it.

If the consumer has already made a complaint to the scheme member and is not satisfied with their response, or two months have passed since they made the complaint and it is still unresolved, we will open a complaint file.

This information is sent to the scheme member, who is asked to provide their version of events or agreement to resolve the complaint. The scheme member has 21 days to do either of the above.

## **2. Investigation, Facilitation and Resolution**

If the scheme member does not wish to resolve the complaint and once their response is received, an assessment is undertaken by our expert team to decide the most suitable way to deal with the complaint. The choices are:

- a. Facilitation
- b. Conciliation
- c. Adjudication

### **Facilitation**

The Facilitation phase is used to try and guide the parties to an agreement in an informal but assisted manner.

### **Conciliation**

The Conciliation phase is mediation where the conciliator is permitted to have input into the content of the complaint as well as the process. This stage is undertaken by a Resolution Practitioner who has completed formal mediation training.

If the complaint cannot be resolved through facilitation or mediation, it may move into the Adjudication stage.

### **3. Formal Adjudication**

In situations where resolution cannot be reached, one of our specialist adjudicators will investigate and make a formal decision on the complaint. This is binding on the scheme member and is also binding on their client if they accept the Adjudicator's decision.



# About our team

*Here are some of the Financial Dispute Resolution Service team members*

## **Trevor Slater, Client Director**

Trevor is Client Director of Financial Dispute Resolution Service.

Trevor is a highly-experienced dispute resolution practitioner specialising in the financial sector. He holds a Masters Degree in Conflict Resolution from La Trobe University, a Diploma of Business – Frontline Management from the Australian Institute of Management and is an accredited mediator. Trevor also has qualifications in accounting and adviser compliance.

Trevor is a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance. He is one of the independent Board members of the Professional Advisers' Association and is a Director of the Resolution Institute.

Immediately prior to joining Financial Dispute Resolution Service in 2017, Trevor was the General Manager of financial compliance group, IDS Limited. In 2010 Trevor was appointed as the General Manager of Financial Services Complaints Limited (FSCL) and was instrumental in the creation of the company. He has performed the roles of conciliator at the Banking Ombudsman and National Relations Manager with the Financial Industry Complaints Service (FICS) in Melbourne.

Prior to this, Trevor worked in the financial industry for over 10 years in roles ranging from internal fraud investigator to life and disability claims manager to customer relations manager.

## **Rex Woodhouse, Scheme Adjudicator**

Rex is an experienced dispute resolution practitioner, having joined FairWay Resolution Limited (formerly DRSL) in 2007. Rex is currently an adjudicator with FairWay, adjudicating ACC, telecommunications and financial disputes.

Rex also sits independently from FairWay, as a judicial officer in the Tenancy Tribunal and as a District Licensing Commissioner.

Rex holds a Master of Laws degree (LLM), and was admitted as a Barrister and Solicitor in 2004. Before taking up the law, Rex worked as a Registered Nurse, qualifying in 1992.

Immediately after completing his nursing qualification, Rex worked for Bayer New Zealand Ltd as a pharmaceutical representative. He subsequently worked as a Staff Nurse at the Wellington Hospital Emergency Department, and was then appointed as Clinical Nurse Manager at the Hutt Hospital Emergency Department.

### **Nicola McClenaghan, Resolution Coordinator**

Nicola manages any enquiries and complaints that come through Financial Dispute Resolution Service.

Nicola, who is originally from Northern Ireland, graduated with an LLB (Hons) degree from the University of Dundee in 2010. She has also recently completed the Diploma in Dispute Resolution from Massey University.

Nicola is the scheme's main dispute resolution facilitator. She is the first point of call for consumers who wish to make a complaint and for guiding scheme members through our complaints process. Nicola also investigates complaints, helps the parties find mutual resolutions and when required assists the adjudicator in the preparation of complaints that need a formal decision.

Nicola will shortly take up a new role as a conciliator with Utilities Disputes.

### **Caroline Tauevhi, Membership Coordinator**

Caroline looks after the membership of Financial Dispute Resolution Service. She is responsible for new members joining, responding to member enquiries and ensuring the smooth running of our membership operations.

Caroline comes to FairWay with a background of 17 years working in the IT industry, with a stint of customer service in between. Most of this time was spent in the digital and mobile realm with a strong focus on relationship management. She spent most of her time gathering requirements and managing projects for new websites and mobile apps. Her role was to help customers understand the technical side of the digital world.

Caroline is currently completing her Bachelor of Arts degree, majoring in Psychology. Her passion is trying to understand human behaviour and why we do the things we do. Because of this interest, she is also studying dispute resolution in the hope of helping people in conflict to move forward and walk away feeling empowered.

# About our Advisory Council

## *Advisory Council*

Financial Dispute Resolution Service is fortunate to have a strong Advisory Council and the Board of FairWay to help guide and support the work we do. Here is an overview of our Advisory Council members.

### **Independent Chair**

#### **Stephen Ward**

Stephen is a consultant in the corporate and commercial department of Simpson Grierson. He advises corporations and crown entities on all aspects of corporate governance, statutory compliance, company law, mergers and acquisitions, overseas investment in New Zealand and related issues.

Stephen has more than 25 years' experience establishing, managing, amalgamating and winding up life and general insurance companies, superannuation schemes, KiwiSaver schemes, and other investment vehicles.

Stephen is an independent non-executive director of ASX-listed Sydney Airport, Sovereign Assurance Company Limited, SecureFuture Wiri Limited, SecureFuture Wiri Holdings Limited and Central Emergency Communications Limited.

Stephen is a trustee and Deputy Chair of the LifeFlight Trust, a member of the Governance Board of Wellington Free Ambulance, a member of the Investment Management Committee of Wellington Free Ambulance, and a member of the National Provident Trust Board.

Stephen has a background in law, having trained as a solicitor in the UK, and is also a Chartered Member of the Institute of Directors.

### **Industry Representatives**

#### **David Whyte**

David has served at senior management and director level in a number of prominent organisations, including the Insurance & Savings Ombudsman Scheme (ISO), the Insurance, Savings & Investments Association (ISI — now called the Financial Services Council – FSC), and Southern Response Earthquake Services Ltd. He is currently the Managing Director for DCW Management Limited.

David served as General Manager of AIA in New Zealand, and as Managing Director of AIG Life in Australia before returning to New Zealand.

In addition to a Master of Arts (Honours) degree, David has a post-graduate Masters Degree in Management and has completed a post-graduate course at Waikato University in Corporate Governance & Leadership. He is also a Chartered Member of the NZ Institute of Company Directors.

#### **Justin Kerr**

Justin was CEO of the Retail Credit Association of New Zealand Inc from 2011 to 2015. Previously he had been the Executive Director of the Financial Services Federation Inc from 1988 to 2010. Prior to this he had been Executive Officer and Director with the Commerce Commission for ten years following his time working for a sharebroking firm and for a major finance company.

Justin has a Bachelor of Commerce and Administration from his economics studies at Victoria University Wellington, has a Postgraduate Diploma in Banking from Massey University and is a Senior Fellow Financial Services Institute of Australasia.

#### **Consumer Representatives**

##### **Dr Pushpa Wood**

Dr Pushpa Wood was appointed as an Officer of the New Zealand Order of Merit in the Queen's 90th Birthday Honours List for 2016 for her services to financial literacy and interfaith relations.

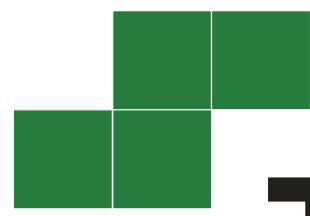
She was previously the Education Manager at the Commission for Financial Capability. She has worked across the school, tertiary, NGO and industry sectors to improve adult literacy and financial literacy, and was a member of the New Zealand Qualifications Authority's project advisory group reviewing financial literacy unit standards.

Dr Wood has extensive experience in developing teaching and learning resources, training and development, strategic planning and stakeholder relationship. Her research interests include identifying trigger points that motivate people to change their financial behaviour, preparedness of women in planning for their future and testing culturally appropriate evaluation tools. She has been involved in many national and international consultancy projects in financial literacy and capability building.

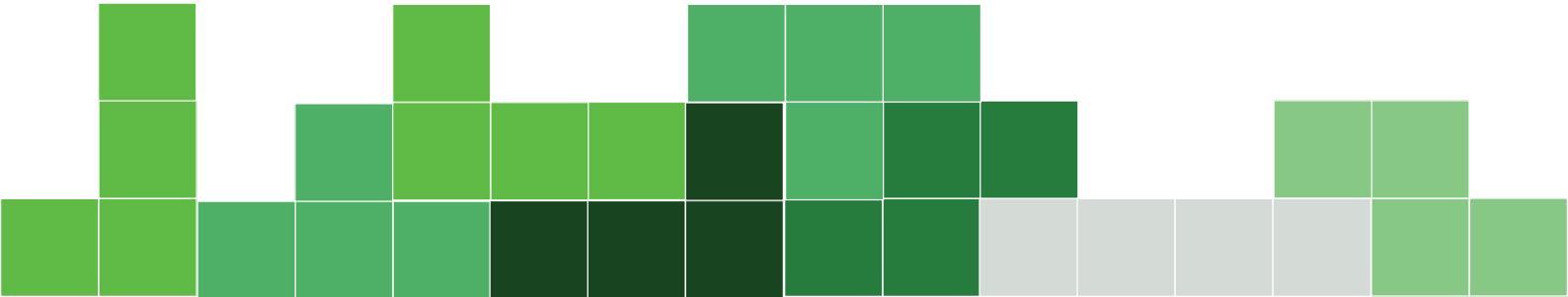
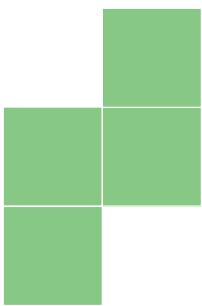
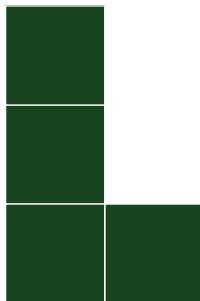
##### **Bill Bevan**

Bill is a founding director of Kapimana Legal Services Ltd trading as Gault Bevan Law. He was also a founding Managing Solicitor at Whitireia Community Law Centre, Porirua. He was previously a consumer representative and chair of the Telecommunications Disputes Resolution Council.

In 2011, Bill received a QSM for services to the community.



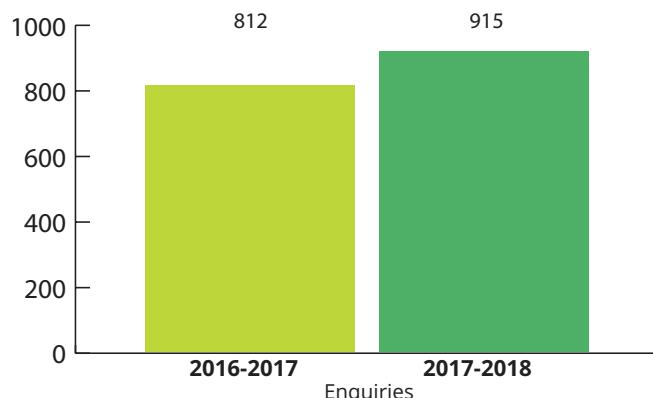
# The Year in Review



# Statistics at a glance

We had 915 enquiries in 2017/2018

(Up from 812 in 2016/2017)



99% of these enquiries were closed through our new early resolution process which is great news for our members and their customers.

During 2017/18 nine complaints were finalised through our formal dispute resolution processes

(Due to changes in our process and how we report, we cannot accurately compare our statistics with 2017/18).

Although we received many complaint enquiries, we resolved most consumer complaints without needing more formal interventions.

1	Early Resolution
2	Facilitation
6	Adjudication



Timeliness – we work hard to resolve all complaints in a timely manner

This year we had three very complex cases that took a great number of days, primarily because of the response times from each party. As we received a low number of complaints last year, this has caused the average days taken to resolve complaints to a much higher level than last year.

However, 100% of cases were completed within the accepted benchmark of 180 days.

Average time to complete a case

2016/17  
24.5 days

2017/18  
150.9 days

Cases completed - 180 days or less

2016/17  
98%

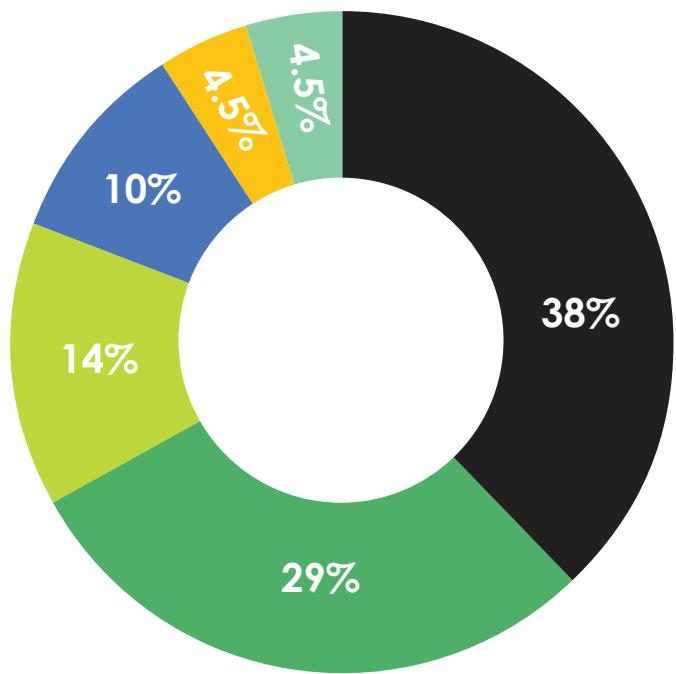
2017/18  
100%

## Complaints by member type

Of the 21 complaints that were accepted into our process, here is the breakdown by specific member type.

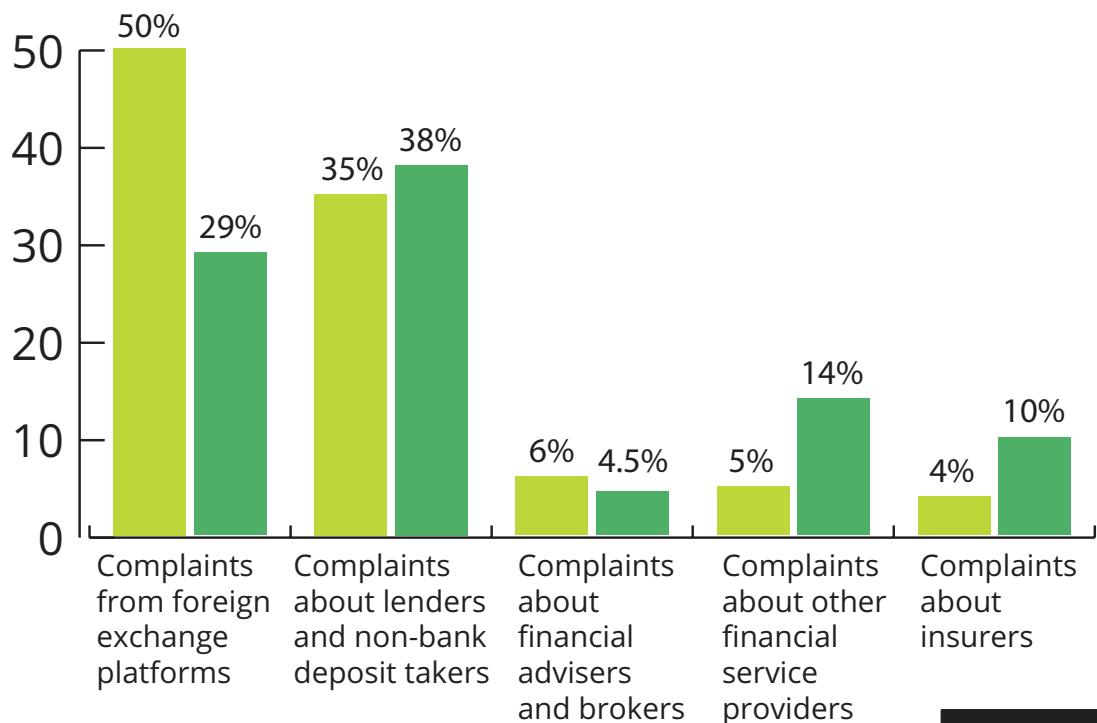
**The lending sector has seen a rise in small lenders, which has resulted in a rise in lending complaints.**

38%	Lenders or non-bank deposit takers
29%	Collectively foreign exchange platforms
14%	Other financial service providers
10%	Insurer
4.5%	Cryptocurrency
4.5%	Financial Advisers or Brokers

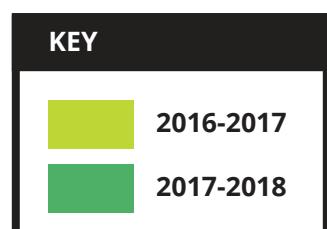


## Top five complaint themes

Of the 21 accepted complaints, here are the five most common complaint themes



**This year sees lenders overtake foreign exchange as the leading complaint type.**



# Satisfaction with our service

One of the best ways for us to understand how we are performing is through the comments we receive about our people and our process.

## Our Members:

In a small sample survey, our Membership Coordinator was marked a top score in each of these categories:

- Responding in a timely manner to member requests
- Friendly and welcoming
- Knowledge on our membership process
- Willing to find answers she may not know
- Prepared to 'go the extra mile' to meet member needs.

Comments included:

*"She is cheerful, knowledgeable and very efficient. She communicates frequently and responds to queries immediately giving me comfort that the scheme for our company of 100 members is well looked after. Nothing is ever an effort or too hard and her cheerful disposition makes her a delight to work with. Please pass on my thanks to her for all her assistance over the year especially setting up our new scheme which she handled with ease through a few difficulties."*

*"Five out five for all. Very happy."*

*"She has been amazing. It's a real pleasure to deal with her."*

*"She has been very helpful and responds to our requests promptly. It has been a pleasure dealing with her."*



### Our Customers:

Much of the work we do is via the telephone and we often receive praise from consumers and members, much of which is not recorded. Here are some of the written comments we received about our people and our process from people who used our service to help resolve their complaint.

*"I am really thrilled with your email. I would like to thank you sincerely for your help with this."*

*"It was good talking to you today. Looking forward to your email. Thank you very much for your help and support to us."*

*"I will call you tomorrow to thank you in person for this outcome."*

*"Thank you so much for all your assistance in this matter, I was getting nowhere without your help. Kind regards and a fantastic new year ahead."*

*"I am appreciative of the constructive role you have taken in assisting us to resolve complaints."*

### Looking forward:

From July 2018, we have introduced a new method to survey all our users and stakeholders. This will provide quality feedback that we will use to continue to improve our services.

# Community and industry engagement

*Here are some of the ways we engaged:*

- **Participating in industry conferences.** Conferences are an invaluable way to increase understanding of what is happening in the financial services sector and to engage directly with our members. We have undertaken numerous presentations at industry conferences on complaint handling and other skills to help members improve their internal complaint processes.
- **Presenting at Consumer Rights days; to Budget Advisers; and regular meetings with Citizens Advice Bureaus.** These are excellent ways to provide information to consumers about our service. Getting the message about the availability of financial dispute resolution to consumers, especially vulnerable ones is a big challenge and the assistance provided by these consumer agencies is invaluable.
- **Meeting with scheme members.** One of our main focuses is to meet regularly with our scheme members. This is not only to better understand their concerns and issues but to also build trust in our process. Having their trust in what we do creates better cooperation when a complaint arises which in turn benefits the consumer by creating better complaint resolutions.
- **Monthly educational webinars.** FDRS hosted 15 webinars in 2017-18 across a wide range of topics. We were joined by guest speakers from all areas of the financial sector. Along with the complaint handling sessions we also had speakers on specialist topics like accounting, risk, cryptocurrency and the investment market.

**Groups we regularly participate in:**

- **Quarterly meetings with other financial dispute resolution schemes.** A useful forum for discussion on particular cases, internal processes, trends and systemic issues, raising consumer awareness and managing relationships with other agencies. This year we jointly created a webinar about the schemes for consumer agencies to use. We also made a joint submission on the Financial Services Legislative Amendment Bill (FSLAB) in relation to the reporting of systemic issues and serious misconduct.
- **Industry associations.** Our Client Director has been appointed as a Director of the Resolution Institute and is an independent Board member of the Professional Advisers' Association and had a close involvement in the creation of Financial Advice New Zealand.



# Membership activities

*Our engagement activities have resulted in a 20% increase in members. Here are some of our activities:*

## Updated website

## Advertising

Time for a change?  
New legislation.  
New Dispute Resolution Service.  
Change DRS and get your first year free\*

Join Financial Dispute Resolution Service

Visit <https://fdrs.org.nz/> to learn more about how we can help your business.

FINANCIAL DISPUTE RESOLUTION SERVICE

## New brochure

# Membership activities continued

## Social media

 **Financial Dispute Resolution Service**  
Published by Nora McGlinchey [?]- 20 June · 

Have you ever wondered about the types of complaints that we see at Financial Dispute Resolution Service?

<https://fdrs.org.nz/resources/case-studies/>



FDRS.ORG.NZ  
**Case studies » Financial Dispute Resolution Service**  
Our case studies are based on actual complaints received by Financial...

 **Financial Dispute Resolution Service**  
Published by Connor Clements [?]- 8 May · 

Our client director Trevor Slater spent last week presenting at Steadfast (the largest general insurance broker network and group of underwriting agencies in Australasia) events across the country. Here are some snaps of him at the Auckland PD Day.



## Videos



**What is the Financial Dispute Resolution Service?**    
**Here to help**

Financial Dispute Resolution Service is here to support you. We provide members with free internal complaint process information to ensure you are compliant with the current (and future) legis...



## Conferences & Events



## Newsletters

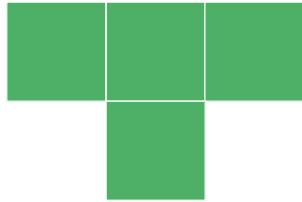
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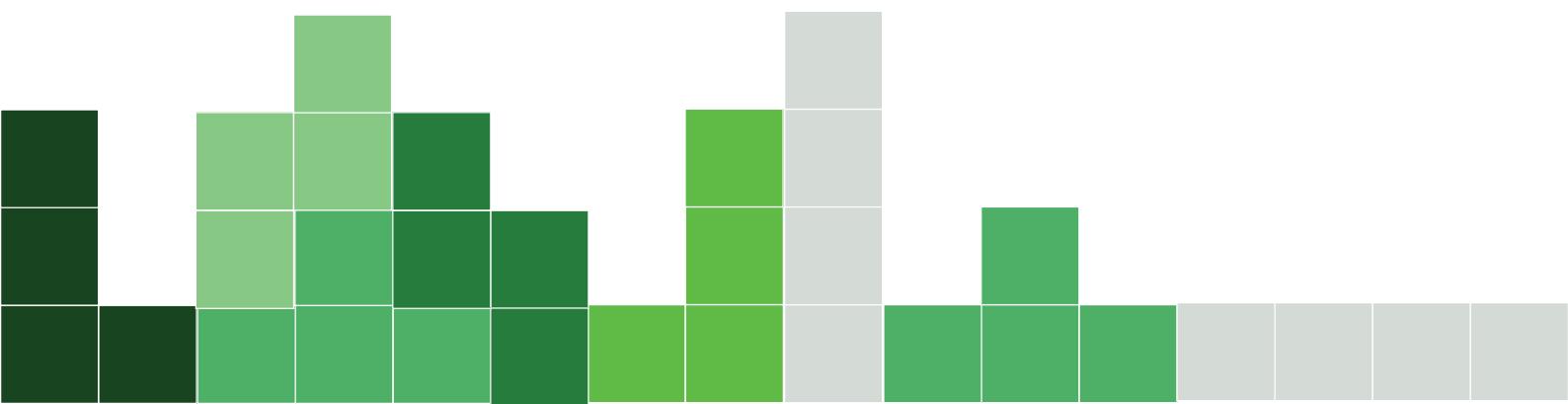
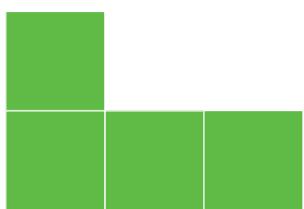
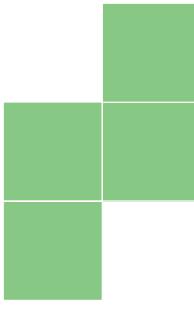
FINANCIAL  
DISPUTE  
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SERVICE

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Financial Dispute Resolution Service newsletter



# The Year Ahead



# The year ahead

*Many of the tasks for the 2018/19 year will be dictated by the results of the independent review. However, there are other exciting things planned for the next 12 months.*

## **The Independent Review of Financial Dispute Resolution Service**

As mentioned, every five years we are required to have an independent review undertaken to ensure we continue to comply with the legislative requirements as an approved external dispute resolution scheme. An independent review was undertaken by Simon Roughton from Orb Solutions. He found:

"Financial Dispute Resolution Service is a successful and professionally run scheme which provides an effective and efficient service to its users. It complies with the provisions as set out in s.52 as mandatory considerations for approval and s.63 of the Financial Service Provider (Registration and Dispute Resolution) Act 2008 which prescribes the rules that need to be included in an approved Dispute Resolution Scheme."

Mr Roughton also made a number of suggestions on how we could improve our services.

The areas which were identified for further development are:

- Review and update the scheme rules.
- Develop systems for more effective data collection.
- Take a more proactive approach to members providing leadership on best practice complaint resolution procedures and ensuring compliance, when necessary.
- Tighten up the role and function of the Advisory Council to provide further level of independence for the scheme.
- Create a process manual to increase consistency of approach.
- Ensure the scheme is adequately resourced to ensure areas of priority are achieved.

Although all of the recommendations were accepted in principle, some of the methods to implement them were not. The following are further comments about implementation and time lines:

### **Review and update the scheme rules.**

This was a task that we had already identified as being required. The Reviewer has suggested we not commence this process until the implementation of the proposed financial legislative changes come into effect and we agree with this point. The review will include consultation with members and other stakeholders and will commence early 2019 with completion planned by the end of 2019.

### **Develop systems for more effective data collection.**

The IT requirements for this action are well underway and a new CRM system should be operational by mid-2019. This will provide improved data on complaints and those who make them.

We did not agree with the Reviewer's suggestion that we needed to focus our data collection and analysis on people with disabilities and those potentially under represented. The scheme is for the use of all of our members' clients and we will continue to collect data on all those users.

We have also redesigned our customer surveys and they are in use from 1 July 2018. In March 2019 we will conduct a full membership survey.

### **Take a more proactive approach to members providing leadership on best practice complaint resolution procedures and ensuring compliance, when necessary.**

We agree with the main point of this recommendation by providing training and guides (such as webinars, templates, attending professional development days etc) on internal complaints handling. We also agree we need to be checking members' websites to see if they have a compliant information on internal and external complaint process, that it is easy for their customers to find and when a complaint is received it is our role to confirm the member has advised their client about the process for making a complaint.

We are commencing a review of our members' websites in 2019 to see if a client would find it easy to locate information about making a complaint. Initially the review will focus on members who are not financial advisers.

We do not believe that it is our role, or the role of any dispute resolution scheme, to provide a compliance rating for members' internal complaint person or act as unprompted auditors of their complaints processes.

### **Tighten up the role and function of the Advisory Council to provide further levels of independence for the scheme.**

This recommendation was one that was accepted as being something to explore further.

Discussions on this will commence after the AGM late in 2018.

### **Create a process manual to increase consistency of approach.**

This recommendation is fully agreed with and work has commenced in process mapping and creation of manuals to cover all aspects of the scheme's work.

### **Ensure the scheme is adequately resourced to ensure areas of priority are achieved.**

It can be very challenging to establish the resources needed to run a dispute resolution scheme as there can be many variables, such as number of complaints, members joining and leaving etc.

Financial Dispute Resolution Service is in an excellent position to ensure we are adequately resourced as we have the backing of FairWay.

## Working with members

We see one of our roles as being active in engaging with members to discuss their dispute resolution needs, to educate them on best practice in complaint handling and build their trust in the scheme.

We will continue to do so into 2018/19 by taking as many opportunities to meet with members, attend professional development days, partake in industry events and be open to members' requests for advice and assistance.

If we can help educate our members on the best way to handle complaints with a major focus on early resolution, providing good information to their clients and learning how to improve services from complaint data, then the consumer will benefit greatly.

## Engaging with the community

Reaching consumers who need our help is and always will be a challenge. Generally speaking, this is because people are rarely interested in dispute resolution until they have a complaint and in particular, one that is unresolved. The answer is to ensure consumers have the information easily accessible when they need to know it.

One way this is done is by ensuring members are providing good information to their clients about complaint processes especially when they make a complaint.

However, that is not the only answer. Another way is to try and educate the consumer groups that help consumers in their time of need. This is not always easy as these groups unfortunately tend to have a high staff turnover.

The combined dispute resolution schemes have this year done some great work in this area by creating a short webinar that has been made available to groups such as Community Law Centres and Citizens Advice Bureaus. We also attended a hui in several major centres across the country.

Further, as we have done in previous years, we will also continue to make our own visits to groups that help consumers with financial issues, especially in regional areas.

# Emerging trends

*Here are some of the trends and issues we can expect to see more of in 2018/19*

## Cryptocurrency

There is no doubt the area of cryptocurrency is growing rapidly. With this will come an increase in complaints. In the last year we received a flood of complaints about cryptocurrency, most of which related to services and were caused by an unpredicted growth in business.

We are pleased to say that we also have access to a blockchain expert that we can consult in cryptocurrency cases.

As we 'go to press' we are dealing with a complaint from a consumer who had his bitcoin account emptied without his permission.

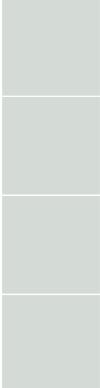
Our recent webinar presenter also noted the increasing occurrence of phishing scams, where individuals unwittingly enter their details into fraudulent websites that masquerade as other organisations. Along with credit card and bank details, cryptocurrency is a known target area for scammers.

## FSLAB

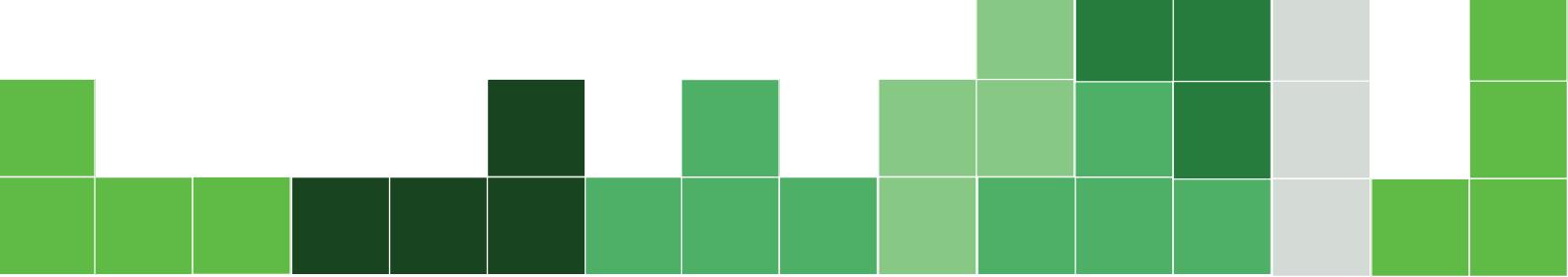
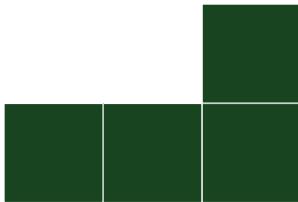
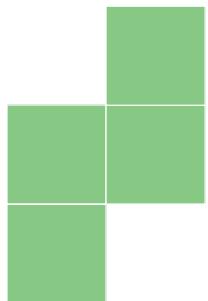
The Financial Services Legislative Amendment Bill (FSLAB) will be a prominent feature this year. The new legislation affecting financial advisers has some way to go until the picture becomes clear on its requirements. We are of course closely following developments and have already made changes to our operations to meet the new legislative needs.

## Lending

There has been much discussion on the upcoming changes to the lending laws. It will be interesting to see the outcome of these. However, it is fair to say that there will be changes to better help protect consumers that lenders will need to comply with.



# Case Studies



## Case study no. 1

### *Early Resolution – A question of commission claw back*

We had a call from Mr Jones\* who wanted to make a complaint about his adviser – a mortgage broker. The adviser had sent Mr Jones an invoice for commission the adviser claimed he had lost because of the actions of Mr Jones. The invoice was for over \$3,000.

Interestingly, on the same day we also received a call from the adviser asking if we could help him obtain the commission he believed he was entitled to.

When we took a few minutes to find a bit more information, we established that the adviser had undertaken a complete advice process and obtained an unconditional approval for a loan for the client. The adviser had done exactly what was required.

Unfortunately for the adviser, Mr Jones decided to go directly to another lender and was able to secure another loan on better terms.

Put simply this meant that the adviser had received no remuneration for the work he had done.

We asked the adviser what information he had in his Terms of Engagement and he assured us he had complaint information in relation to 'commission claw-back' and that he had had it checked by an external source. We asked him to provide a copy of his Terms of Engagement. Upon inspection, we discovered that it was not compliant.

The Terms of Engagement stated that the adviser 'reserved the right to claw back any commission lost as a result of the actions of the client.'

As the amount of claw-back and how it was calculated was not clearly set out in the Terms and Conditions, we believed that it would be likely that the adviser would lose if the complaint proceeded.

We advised the adviser of this and discussed previous cases relevant to this situation. Naturally the adviser was very upset as he had done the work but would not get paid. Reluctantly he withdrew the invoice.

As there was no doubt the adviser had given good advice and done his job well, when we called Mr Jones to tell him the invoice would be withdrawn we also suggested that some form of payment to the adviser for his work would be appropriate.

Mr Jones agreed that the adviser had done a good job and he only didn't go ahead because the bank offered him a better interest rate. Based on this, Mr Jones agreed to pay the adviser \$1,000.

When we contacted the adviser to let him know the outcome we also provided him with some suggestions on how to change the wording in his Terms of Engagement with a view to preventing a reoccurrence of this problem. The adviser was appreciative of our assistance.

Our intervention took very little time and resulted in both parties having an outcome they were able to live with. This was done via our 'help line' and as such no complaint fee was charged.

\*Names have been changed to protect customers' identities

## Case study no. 2

### *The Mortgage Broker – lending advice or losses*

Jane\* sought financial advice following her separation from her partner. At the time, Jane had a number of loans with Lender A, including a mortgage.

Jane asked the adviser to act as a mortgage broker, to assist in gaining suitable lending arrangements. She noted that she was happy with Lender A.

The mortgage broker recommended moving to Lender B and the broker provided Jane with information on their mortgage options. Jane accepted a new mortgage with Lender B.

When Jane contacted Lender A, she was advised that there was no record of her broker making enquiries on her behalf, and that they would have been able to arrange additional lending facilities for her.

Jane got in touch with Financial Dispute Resolution Service as she felt that the mortgage broker had not 'shopped around' to find her the best deal, and that as a result she would incur additional costs including legal fees and a break fees.

Jane decided to transfer back to her original lender, and she requested compensation from the mortgage broker to cover the legal fees and break fees incurred for her transitions between lenders.

The mortgage broker confirmed that he had contacted Lender A and that he brought the offer elsewhere as it 'wasn't looking good' at Lender A. He believed the offer from Lender B was the best at that time for Jane's needs.

An independent adjudicator was appointed to make a decision on the complaint. As part of this process, Financial Dispute Resolution Service sought an expert opinion which provided information around standard market practice. Their opinion was that the broker was engaged to find suitable lending and he achieved that with reasonable terms. The expert noted that lenders positions change frequently, sometimes weekly or even daily. The expert believed that the broker had conducted enquiries as per standard practice and that if a lenders position changes or if the client changes their mind, this is not the fault of the broker.

When weighing all evidence, the adjudicator found that the advice provided by the broker met a reasonable standard and was current at that point in time. The customer's losses were not attributed to deficient advice and the customers complaint was not upheld.

## Case study no. 3

### *Disagreement over purchase agreement*

Lou\* approached Financial Dispute Resolution Service with a complaint concerning one of our members that centred around the interpretation of a particular clause in their purchase agreement.

Following a series of events, the complainant no longer needed the product they had signed up for. Lou entered into discussions with the scheme member on how they could deal with the situation. The scheme member explained what costs would be involved in finding a new buyer for the product and the complainant agreed to bear those costs.

Lou later received an invoice from the scheme member which included additional costs. When Lou queried this with the scheme member, they pointed to a clause in their purchase agreement.

Lou felt that these further costs should not have been charged as they were never mentioned when they were discussing the amount Lou would need to pay. Lou felt that the scheme member had not been transparent. When Lou came to Financial Dispute Resolution Service for help, we approached the scheme member. They explained why this charge had been included and what it was for, along with a copy of the purchase agreement. Initially they were both resolute in their positions. However, we entered into discussions with both parties and helped them both to articulate and understand their different perspectives. Lou had agreed that they should pay what was verbally agreed to but argued that the additional cost was not clear and neither was the wording of the clause relied on by the scheme member.

The scheme member took a step back and considered the situation. We helped them understand the position of the complainant and they were able to see that perhaps the wording of the purchase agreement could have been clearer.

In the end, they agreed to refund the complainant this portion of their bill. Although they still believed they were entitled to charge this amount, they acknowledged that it had not been communicated very well to the complainant and that the wording could have been clearer.

As a result, not only did the complainant get a refund but the scheme member was able to improve the wording of their purchase which would help them to prevent similar complaints in the future.

\*Names have been changed to protect customers' identities

## Case study no. 4

### *The importance of not jumping to conclusions*

One of the indicators of a member who might be finding themselves in trouble is an increase in complaints arriving with their dispute resolution scheme. However, an increase in complaints does not necessarily mean they are not operating a financial service in a genuine manner.

Some months ago, a new product came on to the market. It was a very different financial product to what existed already and promised some outstanding results. It had become very popular overseas and interest in New Zealand was on the rise.

A number of companies opened financial businesses to 'market' this new product in New Zealand. Its popularity had a massive boost when media began reporting positively on the product and its value jumped extraordinarily.

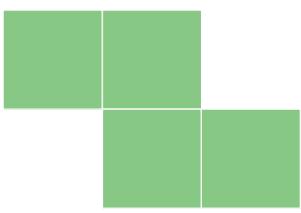
All of a sudden, there were many people 'buying' the product. Almost overnight, we started getting complaint after complaint which amounted to 40-50 per month, all from one provider of the new product.

This of course rang alarm bells and caused us concerns that the provider was not acting properly. However, we decided that before we jumped to a conclusion, we should do some investigation.

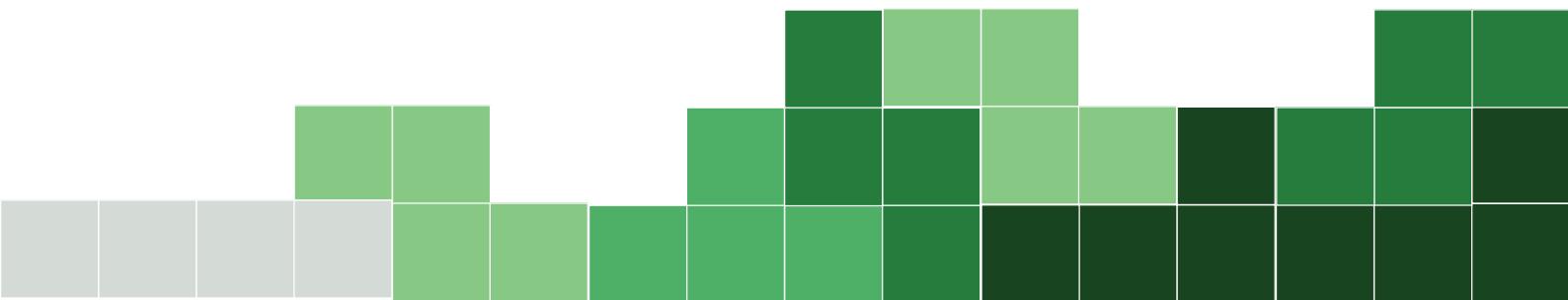
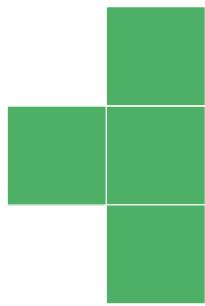
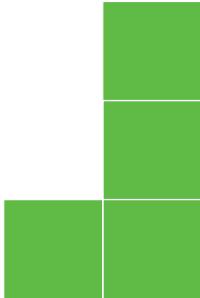
Firstly, we met with the regulator and asked them what they thought of the company. One of their experts had done some work on them and believed the company was legitimate and not acting inappropriately. However, the complaints kept coming in and were on the increase.

Secondly, we took a closer look at the complaints which at this stage were being referred back to the product provider. This revealed that most looked like poor customer service rather than a suspect product or service. Thirdly, instead of raising numerous complaints and formally referring them to the product provider, we invited the product provider to a meeting to discuss the problems. At that meeting, the CEO of the company explained their business had boomed and they were struggling to find staff. Hence the number of complaints not being dealt with and customers coming to us. He explained that he was in the process of hiring more staff. He undertook to reduce the number of complaints to almost nil by the end of the month. We offered to assist with his plans by providing information on internal complaint handling processes.

By the end of that month, the complaints coming to us had virtually reduced to nil. By working with the scheme member rather than taking a hard-line, we were able to help a thriving New Zealand business to continue to grow and improve their internal complaints capability which was a great result for the member and their customers.



# The Details



# Financial performance

	2018 \$000	2017 \$000
Income		
Membership Fees	542	510
Complaint Fees	28	31
<b>Total Income</b>	<b>570</b>	<b>541</b>
Expenditure		
Advisory council	22	23
Independent Review	42	0
Travel and marketing	61	12
Personnel	229	131
Other (premises, systems, support, etc.)	322	256
<b>Total expenditure</b>	<b>676</b>	<b>422</b>
<b>Profit/ (Deficit)</b>	<b>(106)</b>	<b>119</b>

# Our Scheme members

All financial service providers registered in New Zealand who provide services to retail customers must be a member of an approved external dispute resolution scheme.

A full list of financial service providers who have nominated FDRS as their dispute resolution scheme can be found in the 'search for scheme members' section of our website, [www.fdrs.org.nz](http://www.fdrs.org.nz)





# Company Information

# About FairWay



## *Who we are and what we can do for you*

Financial Dispute Resolution Service is part of FairWay Resolution Limited, New Zealand's largest specialist conflict management company, with over 210 people working with us across the country.

From complaints and conflict, to issues and disagreements, FairWay can help resolve your dispute. There are lots of different ways that we can help people move forward – such as mediation, facilitation, adjudication and specialist coaching.

We offer a wide range of services to help New Zealanders in conflict move forward, working across a wide range of industries both in the public and private sector. We have extensive experience in dispute resolution and conflict management across a wide range of sectors from financial services, insurance and telecommunications to education, local government, construction and family.

## ***OUR MISSION, VISION AND VALUES***

Every aspect of our work is guided by our commitment to our core mission, vision and values. These are simple, straight-forward, effective and designed to empower those we work with.

### **Our purpose**

Leading the prevention and resolution of disputes

### **Our values**

Our fundamental values are to pursue excellence in all we do through:

- Professionalism – Providing a high quality service that meets customer expectations and professional standards, ensuring customers have trust in the fairness of our services.
- Integrity – Upholding ethical standards and communicating in an open, honest and transparent way. Always focused on the health and safety of our people and customers.
- Collaboration – Seeking opportunities to work in teams towards shared objectives, knowledge and success.
- Fairness – Abiding by objective standards, allowing full participation in our processes, and giving all voices an opportunity to be heard.
- Empathy – Acknowledging where people are coming from and identifying their needs by asking, listening and clarifying. Demonstrating respect to one and another and our customers, acknowledging difference, and encouraging diversity.



**FINANCIAL  
DISPUTE  
RESOLUTION  
SERVICE**

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FairWay website: [www.fairwayresolution.com](http://www.fairwayresolution.com)