

Feedback form

Consultation: Fair Outcomes for Consumers and Markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Fair outcomes for consumers and markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on 1 March 2024.**

Date: 1 March 2024 Number of pages: 2

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Company or entity: Consumer NZ

Organisation type: Consumer Advocacy

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Question number	Response
1	<p><i>Yes, the way you have described your outcomes-focused approach to regulation is mostly clear. However, the use of the term "regulation" may cause confusion as it could be interpreted as meaning law, rather than 'oversight' or 'regulatory approach'. For example, the front page of the document states it is "A guide to outcomes-focused regulation". We acknowledge the guide states the seven outcomes are not rules and that they do not create, replace or supplement legal obligations. However, we recommend the guide is reviewed to ensure the use of the word 'regulation' doesn't create a false impression that new laws are coming into force.</i></p>
2	<p><i>Consumer NZ strongly supports the proposed fair outcomes for consumers and markets. We have repeatedly raised concerns about providers selling products that are inappropriate, don't meet the consumer's needs, are not fair value for money or not in their interests. We are also concerned consumers are not always provided with useful information and don't always receive ongoing care. We agree that adopting an outcomes-focused regulatory approach could benefit consumers. For example, they may assist consumers to engage with more confidence in the market and lead to better informed and fairer treatment of consumers. We also agree the outcomes-focused approach is likely to lead to lead to benefits for the markets.</i></p>
3	<p><i>We support outcome 1 which states consumers should have access to appropriate products and services that meet their needs. At Consumer NZ, we receive regular complaints from consumers about products they have been sold that don't always meet the needs of the consumer. For example, junk insurance policies, such as mechanical breakdown insurance, funeral insurance and credit card repayment insurance, continue to be sold to consumers. In our view, these policies offer little, or no, real benefits to consumers. However, if providers are required to ensure consumers have useful information to aid good decisions, access to products and services that meet their needs, and are good value for money, we are hopeful this will reduce the number of junk insurance policies on the market.</i></p>
4	<p><i>We support outcome 2 which states that consumers should receive useful information that aids good decisions. In our view, this doesn't always happen. For example, currently, many insurers do not advise consumers about premium increases when their policies are up for renewal. In the UK and Australia, insurers are required to display the past year's premium in renewal notices. However, the same requirement doesn't exist here meaning consumers may not appreciate how much their premiums have increased. We think this needs to change and 91% of respondents in our latest insurance survey also said they would find this information useful.</i></p> <p><i>Also, consumers often purchase products, such add-on insurance policies when purchasing a car, without realising they have done so. This demonstrates that consumers are not being provided with adequate information to make informed decisions.</i></p> <p><i>We question whether this outcome may be better worded as "Consumers receive the information they require to make informed decisions." The information should also be in plain language and easy to understand.</i></p>

5	<p>We support outcome 3 which states consumers should receive fair value for money. We know that consumers don't always receive fair value for money when purchasing products and services in the financial services sector. For example, in 2020, we wrote an article about an 85-year-old woman who had paid \$18,900 for funeral insurance worth just \$10,000 but was then refused a refund by Fidelity Life. This is not a fair outcome for the consumer, so we support outcome 3 requiring consumers receive fair value for money.</p>
6	<p>We support outcome 4 which states consumers can trust providers to act in their interests. We remain concerned that incentives lead to advisers acting in their own interests rather than customer's interests. In our latest insurance survey, only 16% of respondents agreed that insurance companies have their customer's best interests at heart.</p> <p>We are also concerned that many bank customers currently expect a higher standard of care from bank fraud detection systems than is provided by the banking sector. Banks are prioritising frictionless payments over investing in fit for purpose anti-fraud technology (like confirmation of payee). By failing to deploy this (and other) technology, banks are failing to act in the best interests of their customers.</p>
7	<p>We support outcome 5 which states consumers receive quality ongoing care. We are aware that this doesn't always happen. For example, consumers are often signed up to insurance policies but may receive little or no communication from their insurance company. When something goes wrong and the customer needs to make a claim, insurance companies are notorious for their 'delay, deny and defend' tactics. This often results in poor consumer outcomes.</p> <p>We have commented previously on the fact that the existence of four separate dispute schemes is not helpful for consumers in resolving disputes. Australia and the UK now both have only one dispute scheme. We consider a single dispute scheme could provide a more efficient and transparent process. We have raised this issue with the Minister of Commerce and Consumer Affairs.</p>
8	<p>We support outcome 6 which states markets are trusted based on their integrity and transparency. We agree issues such as fraud and scams, money laundering and the financing of terrorism need to be tackled. However, we are concerned banks are not doing enough to prevent scams and have publicly called for them to do more in this space. We believe the FMA is not currently doing enough to require banks to implement fit for purpose security systems to prevent their customers becoming victims. This is creating widespread harm in the community. Banks cannot be relied on to self-regulate. We welcome anything that encourages banks to take prompt action in this space.</p>
16	<p>Yes, we understand the fair outcomes but please see our response to question 1, above. The fair outcomes are very relevant to consumers' interactions with the financial sector.</p>
17	<p>We think the examples are useful and support these being included. However, we think more insurance examples should be included. There may also be more examples about banks/banking practice that could be included.</p>

Feedback summary – if you wish to highlight anything in particular

Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

Thank you for your feedback – we appreciate your time and input.