

VIRTUAL
OFFICE



**FINANCIAL
DISPUTE
RESOLUTION
SERVICE**

Financial Dispute Resolution Service
Annual Report
2019 | 2020

1 July 2019 - 30 June 2020



Highlights from 2019/2020

306

enquiries received



2227

Scheme members

100%

completed under

180 days



28 complaints
required formal
dispute resolution
assistance



Over

90%

of all enquiries were
closed or resolved in
our initial phase

Contents

Highlights from 2019/20.....	1
Advisory Council Chair Foreword.....	3
Scheme Report.....	4
Who We Are.....	7
What We Do.....	8
Our People.....	9
Statistics At A Glance.....	11
Satisfaction With Our Service.....	13
Case Studies.....	17
Financial Performance.....	20
Our Scheme Members.....	21
About FairWay.....	22



Advisory Council Chair foreword

It is my pleasure on behalf of the Advisory Council of the Financial Dispute Resolution Service to present the 2019/2020 annual report.

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.

As we navigate through the global pandemic and the resulting economic uncertainty, the role of financial advisors and financial service providers is more important than ever. Throughout the pandemic, Financial Dispute Resolution Service (Service) has been there for its members and their clients. The team quickly mobilised and established a virtual office to ensure it could continue to provide support at the time it was most needed.

These are interesting times for the financial sector in New Zealand, with the new financial regime coming into effect in March 2021. I am pleased to see how the Service has provided support for its members, through webinars and complaint resources, to assist members through both the application process and to ensure they are compliant with the transitional licensing requirements of the new regime.

Early resolution continues to be the hallmark of the Service. The team quickly establish communication with affected parties to determine the best path forward for a dispute. Often that means giving Service members another chance to work directly with the consumer to resolve or close a complaint in the Enquiry and Early Resolution phase. Over 90% of all enquiries were resolved at this early stage during the last year. In other cases, the Service provides facilitation, conciliation, and adjudication to find a resolution.

I would like to thank Liz Hogan and the Service team members for their good work over the last year.

At our Annual General Meeting in October, the Advisory Council said a fond farewell to Dr. Pushpa Wood. I would like to acknowledge Pushpa's contribution to the Advisory Council over many years. We were delighted to welcome Trevor Slater and Simon Roughton as our new consumer representatives on the Advisory Council. Trevor is well known to everyone at the Service, as the former Client Director. Simon undertook an independent review of the Service in 2018, so has great background knowledge.

Thank you to my fellow Advisory Council Members - David Whyte, Simon Roughton, Toni Dodds, and Trevor Slater - for their continued commitment to the Service and their contributions to the Council.

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



Stephen Ward
Chair of Advisory Council



Scheme Report

We set out at the beginning of the year with the aim to ‘stabilise, standardise and optimise’.

This meant reviewing each of our processes and looking at ways we could improve. Over the course of the year, we have streamlined many of our internal ways of working. One example is our membership renewal process, ensuring consistency in our approach to this busy period of the year.

Sometimes the smallest changes have the biggest impacts. After reviewing our contacts, we realised that many customers were coming direct to us, and not raising the matter directly with their financial service provider. We introduced a new automated phone system to prompt customers to contact their financial service provider in the first instance, if they have not already done so. This initiative has reduced enquiry volumes by 60% from last year, and in addition provides our members with a chance to resolve complaints directly.

Another core undertaking was the review of our scheme rules. This collaborative effort involved drafting revised rules and consultation with our members, Advisory Council and government agencies. Our new rules are nearing completion and we anticipate that they will come into effect within the coming financial year.

For our members, we focused on supporting them to develop their own internal complaints process. We developed a guide, which included template resources to give our members the best chance of resolving matters early on. We also held educational webinars on resolving customers complaints, managing difficult claims and negotiation to help members develop their own skills.

I have particularly enjoyed some of the engagement activities that we have undertaken during the year. Financial Dispute Resolution Service regularly engages with other complaints bodies and consumer organisations. We have also met with our scheme members during the year and attended industry events. While some events were cancelled or postponed in 2020, we have some great engagement plans in the works for the year ahead.

Financial Dispute Resolution Service is part of FairWay Resolution Limited, New Zealand’s largest specialist conflict management company, with over 200 people working with us across the country. I would like to acknowledge the wider FairWay team for all their support and the dedicated Financial Dispute Resolution Service team for their ongoing commitment to our customers and members.



Liz Hogan

Financial Dispute Resolution Service

ABOUT US



**FINANCIAL
DISPUTE
RESOLUTION
SERVICE**



Who We Are

Here are some of our features:

Early Resolution



We focus 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 working with financial service providers and their clients, 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 and resources to ensure they are compliant with legislative requirements for complaint handling.

Industry Leaders



We are part of FairWay Resolution Limited, NZ's largest specialist dispute resolution organisation. With our wide range of experience, you can trust that we have the expertise to help.

Free Services



We offer a range of free services to help members prevent and manage complaints, including our monthly webinar which is tailored for the wider financial industry.



What We Do

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

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 resolve 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, 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 these.

2 INVESTIGATION, FACILITATION AND RESOLUTION

If the Scheme Member does not wish to or can't 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.

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 similar to mediation but a 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 conciliation, 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.



Our People

Advisory Council

Independent Chair

Stephen Ward - *Stephen is a consultant with more than 25 years' financial service experience.*

Industry Representatives

David Whyte - *David has served at senior management and director level in a number of organisations.*

Toni Dodds - *Toni has over ten years' experience in the financial advice industry.*

Consumer Representatives

Trevor Slater - *Trevor has extensive expertise within financial services and dispute resolution.*

Simon Roughton - *Simon has a background in education and dispute resolution.*

FDRS Team

Scheme Adjudicator

Rex Woodhouse - *Rex is an experienced dispute resolution practitioner, who joined FairWay in 2007.*

Complaint enquiries and membership

Bruce Reid

Tanya Cosgrove

Issac Tekai

Tanya Cosgrove and Isaac Tekai have joined Bruce Reid in assisting with complaint enquiries and membership. Tanya, Isaac and Bruce have been part of the wider FairWay team for many years and have extensive expertise in complaint handling.



2019 2020



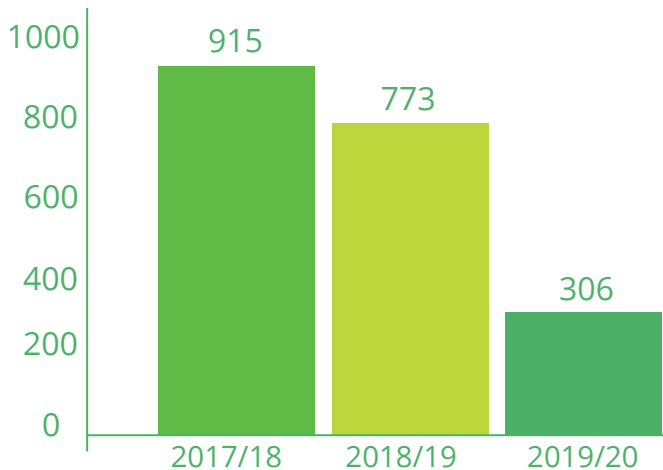
**THE YEAR IN
REVIEW**



Statistics at a Glance

We had 306 enquiries in 2019/20

The volume of enquiries has decreased by 60% this year, mainly due to the introduction of a new automated phone system which directed 581 customers to contact their financial service provider in the first instance. We also provided internal complaints process resources and complaints handling training for members. We believe this has also contributed to the lower volumes, as members own resolution skills have developed.



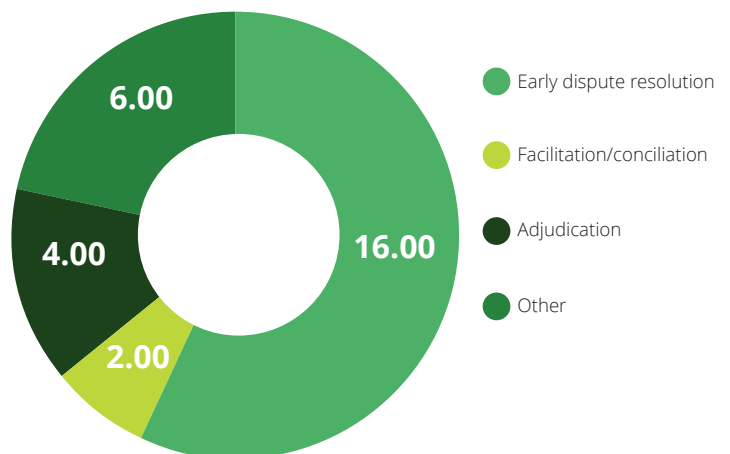
Over 90% of all enquiries were closed or resolved in our initial phase.

Only 26 were accepted as complaints.

28 complaints required formal dispute resolution assistance

In 2019/20, 28 complaints were resolved or closed (including 2 complaints which rolled over from the previous year).

'Other' includes complaints where we had no jurisdiction or where we had to cease consideration, for example if a provider was de-registered from the FSPR.



100% completed within the benchmark of 180 days

We work hard to resolve all complaints in a timely manner.

Average time to complete a case

Our average time to complete a case improved by 21.7 days in 2019/20.

2018/19
100%

2019/20
100%

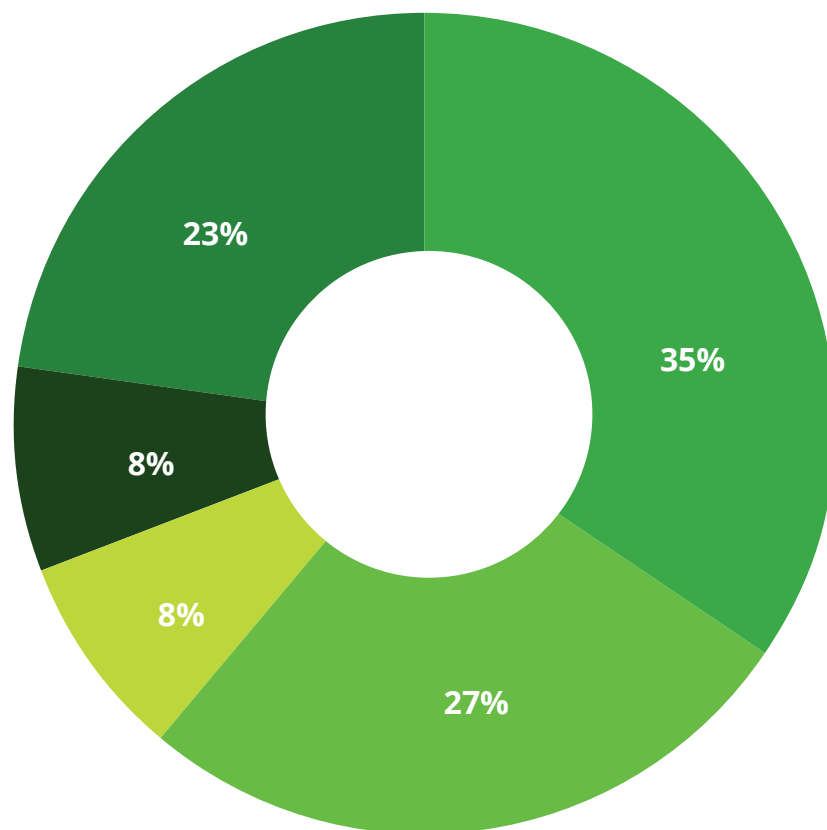
2018/19
123.9 days

2019/20
102.2 days



Complaints by member type

of the 26 complaints that were accepted into our process, here is the breakdown by specific member type.

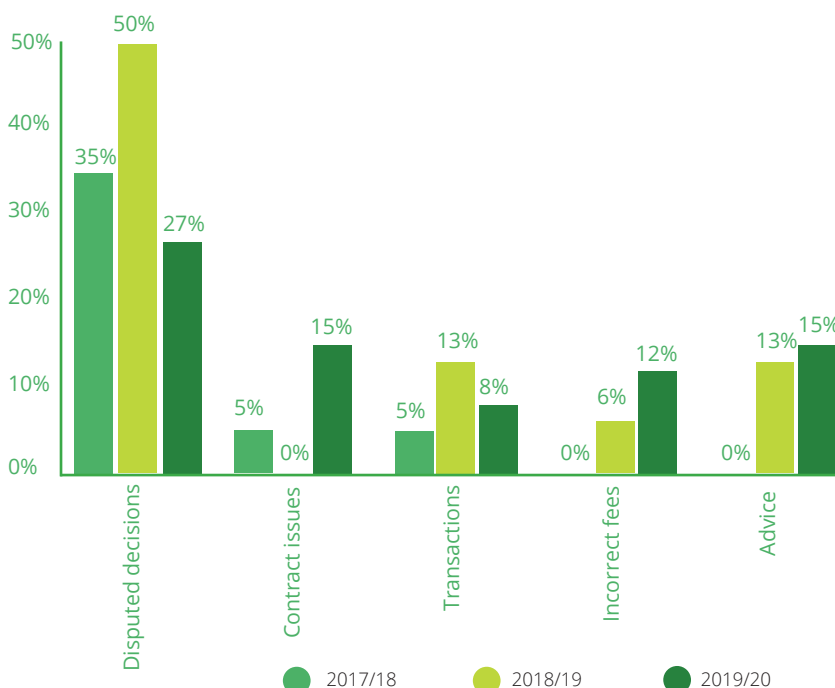


Complaints about insurers have dropped from 50% last year to 23% this year.

- Financial advisers or brokers
- Lenders or non-bank deposit takers
- Other financial service providers
- Foreign exchange platforms
- Insurer

Top five complaint themes

Of the 26 accepted complaints, here are the five most common complaint themes



Most complaints received were about decisions made by financial service providers; primarily about denial of claims due to exclusions or conditions.



Satisfaction with our Service

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

Our Members

At Financial Dispute Resolution Service, we are committed to delivering a quality service for our members. We invited all our members to participate in our annual membership survey to help us to see if we are achieving our aims and to improve our service where needed. We asked our members to rank statements on a scale of one to five, where one is the lowest and five is the highest. Here are some of our results:

"The team at FDRS are easy to contact".

88.89% of respondents scored us as a three or higher

Average rating
3.85

"The team at FDRS are friendly and helpful".

85.19% of respondents scored us as a three or higher

Average rating
3.85

"FDRS keep me up to date with recent happenings, webinars and other information".

Feedback included: "Good comms" and "Emails are helpful"

Average rating
3.84

"FDRS are independent from its members and consumers".

Feedback included: "Important, although as an industry the feeling is the consumer gets a better hearing"

Average rating
4.10

Here are a selection of comments we received from our members during this year:

"Very easy to deal with."

"Good at keeping us informed"

"Complaint handled efficiently"



Our Customers

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.

“

The person I dealt with was friendly and supportive.

”

“

My issue was not something that you can help with but the information that was given was very useful. I followed it through and I got the results I wanted.

”

“

The lady from FDRS was very efficient. Had the right contact person for the creditor in question, worded her message to him very well and we had the outcome we expected/wanted very quickly.

”

“

Fast, efficient, friendly and professional.

”

Our Principles

Our statistics, surveys and feedback tell us that we are meeting the principles under section 52(2) of the Financial Service Provider Act:

Fairness
Efficiency **Accessibility**
Independence
Effectiveness
Accountability

CASE STUDIES





Case Study 1

A change is not always good



Background

In 2017 Simon's insurance broker recommended that he switch his cover, so Simon cancelled his existing policy and took out a new plan with a different health insurer.

A year later Simon made a claim, but it was denied due to pre-existing conditions. The new insurer cancelled his policy and explained that they would not have provided insurance if the pre-existing conditions had been disclosed.

Simon made a complaint against the insurer to their dispute resolution scheme, but this complaint was not upheld. Unsatisfied, Simon contacted Financial Dispute Resolution Service to complain about the broker and the advice provided.



Next steps

FDRS accepted the complaint and obtained further information from both Simon and his broker. FDRS suggested mediation as pathway forward for them.



Mediation

Almost three years had passed since Simon switched policies. It became clear that both Simon and his broker wanted a resolution without delay. Despite COVID-19 and the nationwide restrictions, FDRS was able to arrange a mediation by teleconference.

Simon was angry, because the advice to move insurers was not in his best interests and had left him without insurance.

The broker was also frustrated, having been unable to resolve Simon's complaint with him directly and having been involved in a previous dispute resolution process with Simon and the insurer. Despite their opposing views and frustrations, the mediator assisted them to explore options.



Outcome

During the mediation, Simon and his broker reached a confidential agreement.

Both parties were relieved when the matter was able to be settled at mediation.

**Names and personal details have been changed in case studies to protect customer identities.*





Case Study 2

Changing gear



Background

Laura's insurer declined her gearbox repair claim three times. Initially when she took her car in to a garage, the mechanic suspected a worn drum.

She made a claim to her insurer, but this was declined as they believed the gearbox had been worn out which was not covered by Laura's policy.

She then took it to a gearbox specialist for a second opinion. The specialist stripped the gearbox, at the request of her insurer, and disagreed that the parts had worn out.

Laura relodged the claim but was declined again. She requested a re-assessment by her insurer and was declined for a third time.

Laura found it disappointing that her insurer disagreed with the specialist opinion and declined her claims. She made a complaint to her insurer and they offered \$1000 goodwill. Laura did not accept the goodwill offer and got in touch with Financial Dispute Resolution Service.



Next steps

A FDRS Resolution Coordinator began looking into the complaint. The first step was to clarify the issues and facilitate communication between the parties.

The Resolution Coordinator began discussions with Laura and her insurer by phone and email. They helped clarify the issues, positions and resolution sought.

Laura requested the full costs for the repair of her vehicle's gearbox, amounting to \$2000. The insurer agreed to pay less a \$250 excess charge.



Outcome

Laura accepted the offer less her excess. The insurer confirmed payment of \$1750. After receipt of payment, Laura withdrew her complaint and the matter was closed.

**Names and personal details have been changed in case studies to protect customer identities.*





Case Study 3

Clawback



Background

Kiara contacted Financial Dispute Resolution Service about a clawback fee being charged.

She had arranged a mortgage through a broker and signed all the paperwork, before changing her mind and arranging to refinance with another lender.

She subsequently claimed that the broker had not taken her best interests into account as a financial advisor and that the broker was now pressurising her to pay a clawback of \$2750. She felt she was misguided and misrepresented by the broker.



Next steps

FDRS opened a case and collated information from Kiara and her broker.

The broker provided comprehensive documentation of their communication with Kiara, and copies of all information provided to Kiara as part of her application. These documents included a Disclosure Statement, a Client Authority and Declaration signed by Kiara, and email from Kiara acknowledging she had read and understood their Terms of Engagement. This included details around how they would be paid and the situations where they could recover a commission clawback from her. Kiara had previously corresponded with the broker, acknowledging that she understood her need to pay.

The broker was not willing to waive the charge, but they did offer a payment plan for Kiara, rather than enforcing immediate payment in full.



Outcome

While Kiara maintained her disappointment with the lender's business practice, Kiara agreed to pay the clawback fee in full in installments and the complaint was closed.

**Names and personal details have been changed in case studies to protect customer identities.*





Financial Performance

	2019/2020 \$000	2018/2019 \$000
Income		
Membership fees	574	484
Complaint and other fees	20	49
Total Income	594	533
Expenditure		
Advisory council	30	22
Travel and marketing	12	35
Personnel	139	263
Computer systems	52	51
Other (premises, systems, support, etc.)	331	388
Total expenditure	564	759
Profit/ (Deficit)	30	(226)

Notes:

1. Financial information is presented for the year ending 30 June.
2. During 2018/19 we had a significant growth in membership. For advisers transferring from other scheme's requiring 12-month notice period, we waived the first year's membership fees to enable members to access our service without paying double fees. As this period has finished, our membership income has increased during 2019/20.
3. Following organisational changes and the introduction of new ways of working, personnel costs have also reduced in 2019/2020.



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





About FairWay



Tā te Hinengaro
Tōkeke Whakatau

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 200 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 – doing what is *tika***
Providing a high-quality service that meets customer expectations and professional standards, ensuring customers have trust in the fairness of our services.
- **Integrity – doing what is *pono***
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 - to do *mahi tahi***
Seeking opportunities to work in teams towards shared objectives, knowledge and success.
- **Fairness – doing what is *tōkeke***
Abiding by objective standards, allowing full participation in our processes, and giving all voices an opportunity to be heard.
- **Empathy – doing what we do with *aroha***
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.



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