

22 April 2016

Section 28A of the Fair Trading Act Consultation
Competition and Consumer Policy Team
Ministry of Business, Innovation and Employment
PO Box 1473
Wellington

By email: section28A@mbie.govt.nz

**SUBMISSION on
“Information disclosure regulations for third-party fundraisers making requests
for charitable purposes” discussion document**

1. Introduction

Thank you for the opportunity to make a submission on the section 28A discussion document. This submission is from Consumer NZ, New Zealand’s leading consumer organisation. It has an acknowledged and respected reputation for independence and fairness as a provider of impartial and comprehensive consumer information and advice.

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2. Answers to discussion document questions

Consumer NZ agrees the current regulatory framework is deficient and a disclosure regime is required.

We have provided responses below to selected questions in the discussion document.

Question 4 – Will the disclosure of financial benefits information lead to the donating public being better informed and more confident about giving financial support to charities or charitable causes? In particular:

- a. Will donors be able to reasonably ascertain whether or not a third-party fundraiser has retained a disproportionate percentage of donated money to cover their costs?***
- b. Will donors be able to tell from disclosure of financial benefits information whether or not charities that rely on third-party fundraisers are operating effectively and efficiently, and merit donors’ financial support?***

We think the disclosure of financial benefits information will lead to the public being better informed about making a donation to a charity. At present, consumers are often

unaware the person soliciting donations is a third-party fundraiser who may work on commission and receive a financial benefit from signing up new donors.

Third-party fundraisers soliciting donations on the street or door-to-door often wear T-shirts or other clothing bearing the charity's logo, leading consumers to assume the person works for the charity rather than for a fundraising company. We've found these fundraisers seldom voluntarily disclose information about the basis of their employment.

We've also received complaints from consumers about the high-pressure sales methods used by some third party fundraisers and the lack of transparency in the sector generally. We therefore expect donors will welcome new disclosure requirements for third-party fundraisers.

We see the main benefit of disclosure as assisting consumers to make informed decisions about where and how they spend their charity dollars. Information about who the fundraiser works for and how they are paid will assist this decision. Consumers may choose to donate directly to the charity rather than through a third-party.

Question 5 – What effect do you think financial benefits information disclosure would likely have on:

- a. Business models preferred by charities for raising funds (e.g. whether or not to use third-party fundraisers)?**
- b. The ability of charities to raise funds, whether or not they engage third-party fundraisers?**
- c. The performance of the charitable sector generally?**

We do not think financial benefits information disclosure will have any effect on the ability of charities to raise funds.

Question 6 – Do you think that there should be a remuneration threshold(s) for professional fundraisers such that if the financial benefits received are below the threshold, a solicitation statement would not be required? If so, what should the threshold(s) be?

No. As we stated in our previous submission on the Fair Trading (Solicitations on Behalf of Charities) Amendment Bill, we do not think there should be a remuneration threshold. Any threshold would be arbitrary and we do not think there is any valid justification for exempting fundraisers from disclosure requirements.

In our view, all fundraisers should be required to disclose financial benefits information, regardless of the financial benefits received.

Question 10 – In light of the current regulatory framework for charitable fundraising discussed in Chapter 3, how much difference do you think a possible information disclosure regime under section 28A, as discussed in Chapter 5, will make to providing for a better informed donating public and one that is more confident about giving to charitable causes?

We think a disclosure regime will result in donors being better informed and having higher confidence in the charities sector. Some donors may be more willing to donate money to charity when they are better informed about where their money is going and how much of it is likely to be retained by third-party fundraisers.

In our view, the oversight provided by voluntary industry organisations is inadequate and has not provided consumers with the information they require to make informed decisions. Disclosure needs to be made upfront and provided in a clear and consistent format. Complaints we receive indicate this is not occurring under current arrangements.

Thank you for the opportunity to make a submission on the discussion document. If you require any further information, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read "Sue Chetwin". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Sue Chetwin
Chief Executive