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Financial Markets Policy  
Commerce, Consumers and Communications  
Ministry of Business, Innovation and Employment  
PO Box 1473  
Wellington

By email: [financialconduct@mbie.govt.nz](mailto:financialconduct@mbie.govt.nz)

**SUBMISSION on "Treatment of intermediaries under the new regime for the conduct of financial institutions" discussion document**

**1. Introduction**

- 1.1 Thank you for the opportunity to make a submission on the "Treatment of intermediaries under the new regime for the conduct of financial institutions" discussion document. This submission is from Consumer NZ, an independent, non-profit organisation dedicated to advocating on behalf of New Zealand consumers. Consumer NZ has a reputation for being fair, impartial and providing comprehensive consumer information and advice.

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**2. Comments on discussion document**

- 2.1 Consumer NZ is concerned the discussion document fails to fully consider the effects of the proposed changes on consumers. The proposals appear to be driven largely by industry concerns and have not adequately looked at the market from a consumer perspective.
- 2.2 Large broking firms are significant players in the finance market. We consider consumers using their services should be able to expect the same standards of fair conduct that banks and insurers will be required to meet (once the bill is passed).
- 2.3 Many consumers using broking services are likely to be new entrants to the market (e.g., first-time home buyers) and will rely on the expertise of the broker to make decisions. This further highlights the need to ensure robust safeguards are in place to protect these consumers.
- 2.4 Our preference would be for broking houses to be included in the bill and subject to fair conduct requirements. We note the discussion document rules this out as an option for consideration at this time. This is disappointing and we urge reconsideration of this position.

- 2.5 If the proposals in the paper are progressed, we would not support options 4 or 5. We consider these proposals would result in less protection for consumers and ultimately undermine the purpose of the bill.
- 2.6 If option 3 is progressed, then we consider financial institutions' monitoring requirements in relation to intermediaries must be specified in regulations. These monitoring requirements must be sufficiently robust to provide confidence that fair treatment obligations are being met by broking houses.
- 2.7 We also consider the results of this monitoring must be made public. For example, in regard to mortgage brokers and aggregator firms, we've previously recommended there should be public reporting on:
- (a) The actual value of remuneration received by aggregators and the potential value if all criteria for remunerations were satisfied
  - (b) The average pricing of home loans that brokers obtain on behalf of consumers
  - (c) The average pricing of home loans provided by lenders according to each distribution channel
  - (d) The distribution of loans by brokers between lenders to give consumers a better indication of the range of loans that brokers within the network offer.
- Disclosure of this type of data is essential to ensure the public and the regulator are able to effectively monitor the market and outcomes for consumers.
- 2.8 In relation to options 1 and 2, we consider further work is required to assess the likely effects on consumers from progressing the options. In our view, the discussion document has not adequately considered the potential effects of narrowing the definitions as proposed.

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

Yours sincerely

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Consumer Advocate