



**IFA Submission on the Financial Service Providers  
(Registration and Dispute Resolution-Act 2008)  
Proposed Reserve Scheme Levies – Discussion Paper  
February 2010**

**Introduction**

The Institute of Financial Advisers (IFA) appreciates the opportunity to formally comment on the Financial Service Providers Proposed Reserve Scheme Levies discussion paper. As for our comments on previous papers, we have been mindful of the likely overall impact of regulation of financial advisers and the potential impact on the availability of Authorised Financial Advisers (AFA) to consumers of financial advice.

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**Overall View**

It is our view that Government should fund the reserve scheme – not financial advisers. Adviser's costs in becoming authorised are already huge. The concept that Financial Service Providers pay for this service is wrong. It is for the consumers and public good and should be Government funded.

**Our specific points are:**

1. There is a lack of information and definition about low level complaints and there is nothing mentioned about internal disputes resolution.
2. There is no information contained in the discussion paper with regard to who will be providing the scheme and how appropriately qualified they are to determine disputes in the financial services sector.
3. We would like to see the costs incurred by a complaint split between the complainant and the defendant. Under the current proposal all costs are to be met by the adviser, with the assumption that they are guilty until proven innocent.
4. We would like to see a way of restricting vexatious claims against an adviser which under the current proposal would mean costs having to be met by the adviser each time. A frivolous or vexatious complainant who observes that costs to the adviser will increase if the complaint proceeds to adjudication may be encouraged to ensure the complaint progresses that far. There seems to be no 'safety valve' in the process from what we can see whereby a complaint can be dismissed early on at the facilitation stage. The latter and the second stage of conciliation, by definition require the parties mutually agreeing on a solution. Perhaps there is scope in these stages to agree on adjudication (as there are in industrial relations disputes)

5. IFA strongly opposes the \$30 annual levy proposed to be imposed on all financial service providers to run the reserve scheme. We believe that if an adviser has chosen to join an alternate disputes resolution scheme that is more suited to their business model and their clients' needs, they should not have to pay an additional levy to fund other advisers to be part of a reserve scheme.

6. With regard to annual membership fees. They appear to have a large step in cost from 5 advisers to 6-19 advisers. We suggest there should be the same cost scale up to 20 advisers.

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### **Background information on the Institute of Financial Advisers**

The Institute of Financial Advisers is the professional body for some 1,200 members, representing financial advisers in New Zealand. All members are individual members, not corporate members. We estimate that our members provide advice to some 200,000 New Zealanders each year, many of whom would be couples rather than individuals, with an overall client base of around 600,000.

Our members provide advice to their clients in the areas of insurance, investments, financial planning, work-based savings and insurance, retirement planning, estate planning and financial services generally. Their professional practices reflect the broad spectrum of New Zealand businesses – they operate as local SME's, are part of large regional or national dealer groups, are associated with strong financial organisations, services companies in banking, funds management, or insurance, work in employee benefits organisations, or sometimes practice as lawyers, accountants and other professional advisers.

The Institute reinforces compliance with a code of ethics and practice standards, runs a Professional Conduct Committee and Disciplinary Tribunal that are independently chaired, offers education pathways that can lead to professional designations and the attainment of internationally recognised adviser marks, maintains and ensures compliance with a continuing professional development programme, and provides networking, education, development, and business practice forums at a national and regional level for members.

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