



## FINANCIAL SERVICES FEDERATION

13 January 2025

Ministry for Regulation  
Wellington

[RSBconsultation@regulation.govt.nz](mailto:RSBconsultation@regulation.govt.nz)

Dear Madam/Sir,

### **Re: Proposed Regulatory Standards Bill**

The Financial Services Federation (“FSF”) is grateful to the Ministry for Regulation (“MfR”) for the opportunity to respond on behalf of our members to the consultation on the proposed Regulatory Standards Bill (“the Consultation”).

By way of background, the FSF is the industry body representing the responsible and ethical finance, leasing, and credit-related insurance providers of New Zealand. We have over 90 members and affiliates providing these products to more than 1.7 million New Zealand consumers and businesses. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A. Data relating to the extent to which FSF members (excluding Affiliate members) contribute to New Zealand consumers, society, and business is attached as Appendix B.

### **Introductory Comments**

The financial services sector is overregulated in New Zealand. There is layer upon layer of often overlapping compliance that stifles innovation and competition. We are incredibly supportive of the MfR and wish to be as engaged as we possibly can in the development of the Regulatory Standards Bill. Despite this we would like to echo BusinessNZ’s introductory comments about the short timeframe of the consultation. It is not practical to count the three weeks from 23 December to 13 January as part of a reasonable consultation period due to the number of businesses in New Zealand that cease to operate during this time.

Going forward the MfR may be interested in joining bodies such as the Council of Financial Regulators (CoFR) which is currently made up of the Reserve Bank, the Treasury, Commerce Commission, Financial Markets Authority and the Ministry for Business, Innovation and Employment as well as industry representatives. The group has agreements around things such as consultation times, a holiday no-fly zone and a regulatory initiatives calendar to give industry an idea of incoming consultations. Quarterly meetings are also held between the regulators and the industry to discuss things such as upcoming consultations. We believe it would be incredibly beneficial to have the MfR be a part of this group.

### **Consultation Questions**

4. Where in New Zealand are you primarily based?

Our office is based in Wellington.

5. Please provide us with at least one method of contacting you, in case the Ministry needs to discuss your submission further.

krawlinson@fsf.org.nz

6. What are your overall views on the quality of New Zealand's regulation?

As an industry association we can only speak to regulation that effects our members in the financial services industry. Our view of the regulation that effects our industry is that it is overregulated which is having a negative effect on competition and innovation. The effects of this can be seen in the recent Commerce Commission Market Study into Personal Banking Services.

7. What are your overall views on the current arrangements in place to promote high-quality regulation?

There are not sufficient arrangements currently in place to promote high quality regulation. Quite often consultation can feel like a tick box exercise which will have little effect.

8. Do you ever use Regulatory Impact Statements (RISs) to find out information about proposed government regulation? If so, how helpful do you find RISs in helping you make an assessment about the quality of the proposed regulation?

Occasionally, particularly when trying to determine the rational for regulation. However, RISs are only useful when they are completed alongside the consultation, we have frequently seen consultations where no RIS has been completed. This defeats the purpose of open and transparent consultation.

9. Do you ever use disclosure statements to find out information about a Bill? If so, how helpful do you find disclosure statements in helping you make an assessment about the quality of the Bill?

We do not as they are often difficult to find (not on the same page as the rest of the documents pertaining to a single consultation) or if they are readily available then they tend to be quite vague.

10. What are your views about the effectiveness of the regulatory oversight arrangements currently in place?

In our view there is minimal to no regulatory oversight arrangement in place, for this reason we welcome the introduction of the Ministry for Regulation and wish to state that we strongly support the Ministry's intent.

11. What are your views on setting out requirements for regulatory quality in legislation? Are there any alternatives that you think should be considered?

We are supportive of this as long as a balance is struck to allow regulators the flexibility to make regulation work in each distinct circumstance without being too prescriptive.

12. What are your views on setting principles out in primary legislation?

This will make the principles much more accessible as opposed to if they were in secondary legislation. However, as it is difficult to change legislation once it has passed there needs to be a balance struck between clear expectations and allowing for flexibility. The mission statement in the minister's foreword for the consultation really sums up this problem by specifying that regulators and policy makers must meet these principles unless they have good reason not to. This must be reflected in the legislation for it to be effective and not have unintended consequences.

14. Do you agree with the focus of the principles on:

- rights and liberties?
- good law-making processes?
- good regulatory stewardship?
- Do you have any comments on the proposed principles themselves?

We agree with the direction of the principles as listed in the consultation document.

15. In your view, are there additional principles that should be included?

In our view an additional principle should consider whether the regulation promotes competition within the sector, we have seen a lot of previous regulation that has had the effect of actively stifling competition

17. Do you agree that there are insufficient processes in place to assess the quality of new and existing regulation in New Zealand? If so, which parts of the process do you think need to be improved?

Yes, we do. We believe there needs to be more overlap/ discussion between regulators and agencies in order to get a holistic view of the regulation in a specific area as opposed to each agency working individually and overwhelming the sector.

18. Do you think that the new consistency checks proposed by the Regulatory Standards Bill will improve the quality of regulation? Why or why not?

Based on the information we currently have we believe the new consistency checks would be useful to improve the quality of legislation. However as with most things the devil will be in the details so we will be able to provide better feedback once we have a clearer view of what the consistency checks will look like.

19. Do you have any suggested changes to the consistency mechanisms proposed in this discussion document?

As discussed above at question 18 we do not have any suggested changes but that may change once we have a clearer picture of what the checks will look like. We anticipate there will be further consultation in this area.

20. Which types of regulation (if any) do you think should be exempt from the consistency requirements proposed by the Regulatory Standards Bill (for example, regulation that only has minor impacts on businesses, individuals, and not-for-profit entities, legislation that corrects previous drafting errors, or legislation made under a declared state of emergency)?

We believe that this should be a ministerial decision however it should be justifiable. For example, simply because something is being put through under urgency does not make it an emergency. The minister should be responsible for holding agencies to account and granting exemptions where actually necessary or desirable.

21. Have you used any of the existing mechanisms described above to raise issues or bring complaints about the quality of regulation to the Government? If so, did you find them effective?

No, we have not.

22. Do you think that New Zealand needs a new structure or organisation to consider complaints about the quality of regulation? Why or why not?

We submit that a new structure will be useful provided clear guidelines are issued as to when a complaint could be addressed to the Board as opposed to existing mechanisms. There needs to be clarity so as not to create confusion particularly amongst the general public.

23. If a new structure is created specifically to consider complaints about regulation:

- do you think a Regulatory Standards Board would be the best mechanism to do this?

We believe the outlined Board mechanism will be a useful tool in this regard.

- are there any alternatives that you think would be preferable to the proposed Board for investigating complaints about regulation?

No.

24. Do you have any views on the detailed design of the proposed Board, including how it would operate and the proposed number of members?

As stated above at question 22 we believe there needs to be explicit clarity around where the Board sits within the existing complaints mechanisms.

25. In your view, what individual skills or experience should Board members have?

We believe that a mix of proven public and private sector experience would be incredibly useful on this Board, in particular we would like to see business represented. This is important to ensure a considered and even view of the complaint.

26. Do you support the proposals in this section for strengthened regulatory stewardship expectations on agencies to be set out in a Bill?

Yes, we do support these proposals.

27. Do you agree that there may be some situations where a power for the Chief Executive of the Ministry for Regulation to obtain information will be required to help decide whether a regulatory review is warranted and to inform regulatory reviews?

Yes, we do.

28. Do you agree that the proposed information gathering powers are justified for the purpose of informing regulatory reviews? Do you think the powers should apply to all the types of entities listed above, or only some?

Yes, we do. We also agree that all types of entities above should be subject to the information gathering powers.

29. Do you think the information gathering powers are broad enough to enable the Ministry for Regulation to undertake regulatory reviews effectively and efficiently?

As we've mentioned previously the devil will be in the detail. The wording of the actual Bill will be paramount in determining this.

31. Do you support the proposals in this section in relation to the Ministry for Regulation's broad oversight role?

Yes, we do.

32. Are there any other measures you think a Bill should contain to support the quality of regulation?

We believe that, as stated above, enhancing competition should be considered as a key element to assess quality of regulation. We would like to see this reflected in the Bill.

33. Do you think the overall proposal will be effective in raising the quality of regulation in New Zealand?

Yes, we do.

Please do not hesitate to reach out if you wish for us to speak further on any of the points made in this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'KR', with a long horizontal stroke extending to the right.

Katie Rawlinson  
Legal and Policy Manager  
Financial Services Federation

## Appendix A



### FSF Membership List as at December 2023

Non-Bank Deposit Takers, Specialist Housing/Property Lenders, Credit-related Insurance Providers	Vehicle Lenders Finance Companies/Diversified Lenders	Finance Companies/ Diversified Lenders contd.	Finance Companies/ Diversified Lenders, Insurance Premium Funders	Affiliate Members	Affiliate Members contd., and Leasing Providers
<b>XCEDA (B)</b>  Finance Direct Limited ➤ Lending Crowd  General Finance (BB)  Gold Band Finance ➤ Loan Co  Mutual Credit Finance  <u>Credit Unions/Building Societies</u>  First Credit Union  Nelson Building Society  Police and Families Credit Union  <u>Specialist Housing/Property Lenders</u>  Basecorp Finance Limited  First Mortgage Managers Ltd.  Liberty Financial Limited  Pepper NZ Limited  Resimac NZ Limited  <u>Credit-related Insurance Providers</u>  Protecta Insurance  Provident Insurance Corporation Ltd	Auto Finance Direct Limited  BMW Financial Services ➤ Mini ➤ Alphera Financial Services  Community Financial Services  Go Car Finance Ltd  Honda Financial Services  Kubota New Zealand Ltd  Mercedes-Benz Financial  Motor Trade Finance  Nissan Financial Services NZ Ltd ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance  Onyx Finance Limited  Scania Finance NZ Limited  Toyota Finance NZ ➤ Mazda Finance  Yamaha Motor Finance  <u>Finance Companies/Diversified Lenders</u>  AfterPay  Avanti Finance ➤ Branded Financial  Basalt Group	Blackbird Finance  Caterpillar Financial Services NZ Ltd  Centracorp Finance 2000  DebtManagers  Finance Now ➤ The Warehouse Financial Services ➤ SBS Insurance  Future Finance  Geneva Finance  Harmony  Humm Group  Instant Finance ➤ Fair City ➤ My Finance  John Deere Financial  Latitude Financial  Lifestyle Money NZ Ltd  Limelight Group  Mainland Finance Limited  Metro Finance  Nectar NZ Limited  NZ Finance Ltd	Personal Loan Corporation  Pioneer Finance  Prosopa NZ Ltd  Smith's City Finance Ltd  Speirs Finance Group (L & F) ➤ Speirs Finance ➤ Speirs Corporate & Leasing ➤ Yoogo Fleet  Turners Automotive Group ➤ Autosure ➤ East Coast Credit ➤ Oxford Finance  UDC Finance Limited  Yes Finance Limited  <u>Insurance Premium Funders</u>  Elantis Premium Funding NZ Ltd  Financial Synergy Limited  Hunter Premium Funding  IQumulate Premium Funding  Rothbury Instalment Services	AML Solutions Limited  Buddle Findlay  Chapman Tripp  Credisense Ltd  Credit Sense Pty Ltd  Deloitte  <u>Experieco Limited</u>  EY  FinTech NZ  Finzsoft  Happy Prime Consultancy Limited  KPMG  Loansmart Ltd  LexisNexis  Motor Trade Association  Odessa Technology Inc.  One Partner Limited  PWC  Sense Partners  Simpson Western  Summer Lawyers	<u>Credit Reporting, Debt Collection Agencies</u>  Centrix  Credit Corp ➤ Baycorp  Debtworks (NZ) Limited  Equifax  Gravity Credit Management Limited  IDCARE Ltd  Illion  Quadrant Group (NZ) Ltd  <u>Recoveriescorp NZ Ltd</u>  <u>Leasing Providers</u>  Custom Fleet  Euro Rate Leasing Limited  Fleet Partners NZ Ltd  ORIX New Zealand  SG Fleet  Total 97 members



FINANCIAL SERVICES FEDERATION (FSF)

## THE NON-BANK FINANCE INDUSTRY SECTOR - 2024



49%

NON-BANK

BANK

of personal consumer loans are financed by the **non-bank sector** represented by FSF members.

*Setting industry standards for responsible lending,  
promoting compliance and consumer awareness.*

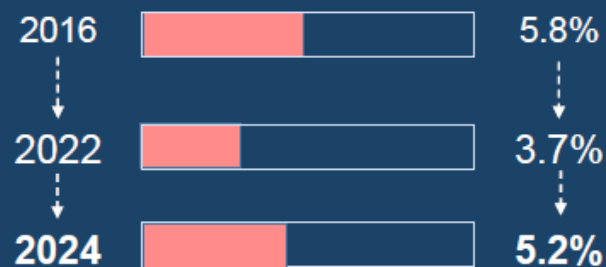
Only **6** dispute resolution complaints  
upheld or partially upheld from  
1 April 2023 to 31 March 2024

## Percent of Loan Requests Approved

48%



## Percent of Loan Book in Arrears





## KEY FACTS: THE NON-BANK FINANCE INDUSTRY SECTOR

### FSF Members (as at 31 Mar 2024)

Number of Members	97
Number of Employees	3,353
Applications Processed	1,102,266
Loan Requests Approved	527,382
Percent of Loan Book in Arrears	5.2%
Loan Disputes Upheld	6

### Bank Sector (as at 31 Mar 2024)

Value of Mortgage Loans	\$352B
Value of Consumer Loans	\$7.7B
Value of Business Loans	\$125B

### Non-Bank Sector Share (as at 31 Mar 2024)

% of Total Mortgage Loans	0.3%
% of Total Consumer Loans	48.5%
% of Total Business Loans	8.7%

### Insurance Credit Related (as at 31 Mar 2024)

Number of Employees	250
Number of Policies	300,209
Gross Claims (annual)	\$22.1M

### Consumer Loans (as at 31 Mar 2024)

Total Value of Loans	\$8.2B
Number of Customers	1,537,502
Number of Loans	1,735,718
Average Loan Size	\$4,746

#### Total Value of Loans:

Mortgage	\$979M
Vehicle Loan	\$4,036M
Unsecured	\$2,129M
Other Security	\$361M
Lease Finance	\$733M

#### Average Value of Loan:

Mortgage	\$134,675
Vehicle Loan	\$13,337
Unsecured	\$1,588
Other Security	\$4,245

### Business Loans (as at 31 Mar 2024)

Total Value of Loans	\$11.9B
Number of Customers	131,161
Number of Loans	202,921
Average Loan Size	\$58,894

#### Total Value of Loans:

Mortgage	\$4,092M
Vehicle Loan	\$2,989M
Unsecured	\$262M
Other Security	\$2,846M
Lease Finance	\$1,763M

#### Average Value of Loan:

Mortgage	\$766,527
Vehicle Loan	\$37,362
Unsecured	\$48,107
Other Security	\$54,724
Lease Finance	\$29,308