

# Annual Report 2020

The Insurance & Financial Services Ombudsman Scheme resolves complaints about insurance & financial services.

Our service is independent, fair and free for consumers.

 0800 888 202    [info@ifso.nz](mailto:info@ifso.nz)    [www.ifso.nz](http://www.ifso.nz)    



For 25 years, the IFSO Scheme has provided an independent, fair and free dispute resolution service for consumers.

Since the IFSO Scheme was established in 1995:



**66,455**

**complaint enquiries** have been responded to



**7,006**

**complaints** have been investigated



We resolve complaints and respond to enquiries about:

**Insurance:**

including house, contents, vehicle, travel, health and life insurance

**Financial advice and broking services**

**Foreign exchange and money transfer services**

**Loans and credit**

**Superannuation, investments and securities**

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# Sue Suckling – IFSO Scheme Commission Chair

The unprecedented events of 2020 highlight the strength of collective action, and the importance of innovation, flexibility and a targeted response.



While the need to adapt to change is not new, the global economic recession and increased financial hardship will create ongoing challenges for all New Zealanders. In the financial services sector, the IFSO Scheme plays an integral role in building confidence and trust, and improving consumer outcomes.

## Covid-19 response

The emphasis on conduct and culture set the scene for a proactive response to financial hardship and vulnerability. Insurers and financial service providers responded quickly under pressure, operating during lockdown, and putting a range of measures in place to increase customer support. In this climate, access to a free and independent dispute resolution service is even more vital. The IFSO Scheme also adapted seamlessly to providing a holistic service for consumers and Participants.

## Strategic goals

Our strategic goals involve embracing technology to enable and build relationships. The best way to create a more responsive and accessible service is together

with industry. We have responded to the changing needs of our Participants and their customers with initiatives to improve access, information and resources.

## Technology and access

Our website and Salesforce technology have enabled significant improvements to our data, reporting and processes. One of the innovations over the last year has been to harness the available data to create quarterly dashboards for our largest Participants – providing insights into complaints by number and sector, identifying trends and analysing customer interactions. Together with resolving complaints and responding to enquiries, the IFSO Scheme also provides information and guidance to enable consumers to voice their concerns and become more financially capable. Efforts to further improve accessibility and information will continue.

## Membership of 4,716

Major legislative and regulatory change aims to transform the financial services sector and build consumer confidence and trust. The expertise developed over 25 years at the IFSO Scheme has been translated into Participant training resources in complaints management, licensing compliance and service improvement. Our strategic aim is to be an indispensable support partner for Participants in their efforts to navigate change, handle complaints effectively, resolve client issues fairly, and achieve better customer outcomes. Thank you to the 4,716 IFSO Scheme Participants for your support and collaboration.

## IFSO Scheme Commission

I'd like to acknowledge departing IFSO Scheme Commissioners, Denese Bates and Jo Bransgrove, for their valuable contribution over a number of years on the Commission. I'd also like to welcome our incoming Commissioners: AA Insurance CEO, Chris Curtin, Māori Women's Development Inc CEO, Teresa Tepania-Ashton, and Banqer CEO, Kendall Flutey. Chris has extensive insurance industry experience, joining Rob Hennin, nib New Zealand CEO, and Lyn McMorran, Executive Director of the Financial Services Federation, as industry representatives on the Commission. Teresa and Kendall are both innovative leaders. They join Dr Pushpa Wood, Director of the Westpac Massey Financial Education and Research Centre, to represent the consumer voice on the Commission. The vision and experience of our Commissioners will help guide our response to ongoing change.

I'd like to thank Karen Stevens for her leadership, Deputy Ombudsman, Louise Peters, and the dedicated IFSO Scheme team.

**Sue Suckling**

IFSO Scheme Commission Chair

## IFSO Scheme financial summary

See [www.ifso.nz](http://www.ifso.nz) for the full financial accounts

### Revenue

2,236,943	2019
2,278,019	2020

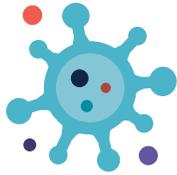
### Expenditure

2,334,411	2019
2,178,362	2020

### Reserves

1,344,362	2019
1,434,078	2020

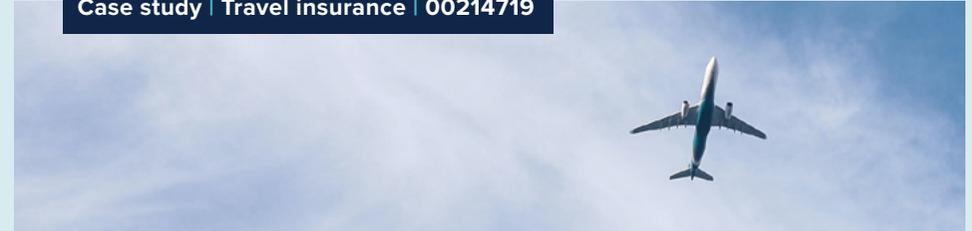
## Covid-19 and IFSO Scheme



From March to June 2020, the IFSO Scheme received 230 Covid-19 related enquiries. The majority related to travel insurance and cancelled trips. In all circumstances, we encourage consumers to ask about their options so they can make informed choices. In early March, that meant contacting airlines, travel agents and insurers. Since lockdown, some enquiries have reflected the consequences of financial hardship, e.g. questions about insurance premiums, loan repayment deferrals, KiwiSaver hardship applications, and redundancy cover.

A range of measures were put in place by the financial services sector to support customers experiencing hardship e.g. payment relief or deferrals, restructured policies, contracts and loans. We continue to encourage consumers to speak to their insurer or financial service provider: find out what support is available and ask about the consequences of stopping or altering payments, and cancelling or changing financial products. During times of increased stress and hardship, access to free and independent services, such as the IFSO Scheme, is even more vital.

### Case study | Travel insurance | 00214719



## Covid-19 and cancelled travel plans

**Most travel insurance policies have a global pandemic exclusion. A number of travel insurers agreed to cancel policies and refund premiums for cancelled travel.**

In January 2020, Barry\* purchased travel insurance for a trip to Bali in April. He cancelled the trip in February due to Covid-19. Barry received a partial refund of his flight costs from the airline. He made an insurance claim for the remainder of his flight and accommodation costs.

Barry's claim was declined due to the pandemic policy exclusion. Barry complained, stating he didn't know about Covid-19 when he purchased the cover.

The IFSO Scheme case manager said the wording of the pandemic policy exclusion was broad, including a "likely pandemic" or "threat of a pandemic". Because Covid-19 was declared a global pandemic in March, it was a "likely pandemic" in February. The exclusion applied to Barry's claim, regardless of Barry's knowledge of the pandemic.

After discussions with the IFSO Scheme, the insurer offered to cancel the policy and reimburse Barry's premiums.

### Complaint settled

\* Names have been changed.

# Karen Stevens – Insurance & Financial Services Ombudsman

Responding to a worldwide crisis was not part of our strategic plan this time last year.

For the IFSO Scheme, it was simply business as usual – dealing with thousands of consumer complaint enquiries and hundreds of complaints, providing a professional development programme for our Participants, building an accessible consumer friendly website and developing data rich dashboards to increase the industry’s understanding of their customers’ concerns.



## Consumer contact

Our 0800 number and new website are our main touchpoints for NZ consumers. We provide information to help consumers make better and more informed choices about financial products and services. We have also started asking every consumer who contacts us with a complaint enquiry to tell us how we did, and the results have been very positive, with an NPS score of 44. Our new look website has been designed to be easy and informative for consumers, with an online complaint form which feeds information straight back into our Salesforce database.

## Professional Development programme

For our Participants, a portal on the website leads them to a wealth of free training material: toolkits, webinars, case notes, templates, data and insights - not available anywhere else. While we have always focussed on training and looked for opportunities to go out and speak to the industry, the ability to use a webinar platform has dramatically increased our reach. It also means the information is available all the time.

## Dashboards

Over the last year, we have been providing our insurer Participants with dashboards every quarter, which show how the industry is responding to complaints and how the particular insurer is doing, so some benchmarking is possible. Coupled with this are the insights we get from customers which help to form an overall picture of what the industry can do to achieve better customer outcomes.

## Complaints

Changes to improve conduct and culture indirectly assisted our Participants to prepare for what was to come. Complaints have been slightly down from last year for general insurers, but twice the number of credit contract complaints and 4 times the number of financial adviser complaints were accepted.

## Then came Covid-19 – so what changed?

Thanks to secure online processes, laptops and a cloud-based system, we were able to transition immediately to working from home without any interruption to the IFSO Scheme’s normal service over lockdown.

We have received 230 Covid-19-related enquiries and complaints since March, and we were able to assist and guide consumers, who were often struggling to make sense of their particular circumstances.

## Good communication essential

Good communication with customers has always been essential but is now even more important. We are pleased insurers responded quickly to put in place a range of measures for customers, particularly for those facing hardship. IFSO Scheme credit contract providers also acted quickly to restructure customers’ loans, defer payments and waive fees.

## ANZOA and INFO Network

Karen Stevens is a founding member and, until December 2019, the Chair of the International Network of Financial Services Ombudsman Schemes (INFO Network). She is also a founding member and on the Executive Committee of the Australian and New Zealand Ombudsman Association (ANZOA), the professional association and peak body for Ombudsmen in Australia and New Zealand.

New Zealanders need to be able to make informed choices, so communication and transparency are key. Only by listening to the customer voice and responding with the correct information at the right time, will complaints be managed effectively. Good conduct creates confidence and trust in the financial services industry and the IFSO Scheme plays a major part in establishing that trust and confidence.

Thanks to Sue Suckling and the IFSO Scheme Commission, for their continuing support and guidance, and to my Deputy, Louise Peters, and the team for their dedication and expertise.

A handwritten signature in black ink, appearing to read 'K. Stevens'.

## Karen Stevens

Insurance & Financial Services Ombudsman

# Complaint enquiries 2020

Complaint enquiries increased to **3,922**

(from 3,805 in 2018–2019)

 **638**  
by email

 **2,489**  
by phone

 **44**  
by post  
(decrease from 76)

 **747**  
online  
(increase from 434)

 **4**  
in person

## TOP **5** complaint enquiry issues

1. Premiums
2. Scope of cover
3. Policy exclusions
4. Uninsured third party
5. Delays and customer service issues

### Complaint enquiries

Complaint enquiries are any questions or issues the IFSO Scheme is contacted about by:

 **Phone** 0800 888 202

 **Email** [info@ifso.nz](mailto:info@ifso.nz)

 **Online** [www.ifso.nz](http://www.ifso.nz)

Our first contact staff provide information and guidance on a broad range of insurance and financial services issues. We help make the connection with the right agency or provider, and we help to proactively resolve consumer issues before they escalate into complaints.

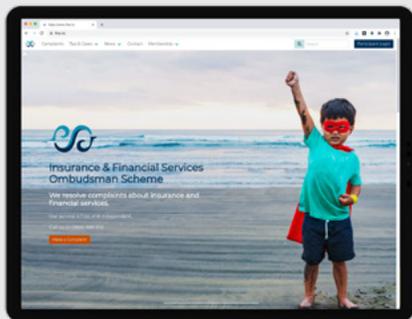
“ The guy I spoke with knew his stuff, he made policy wording and advice easy to understand.

“ I believe I am finally getting some action for my dealings with the insurance company instead of being ignored or delayed.

## Online complaints

Our new website has improved access, and online contacts increased by 300 from the previous year. Additionally, the number of complaints we referred to the provider (on behalf of the complainant), also increased by 300.

The pattern seems to be that “referred on behalf of” complaints are resolved more quickly and settled more often, without escalation back to the IFSO Scheme. An increase in complaints resolved internally by providers has contributed to a reduction in our complaint numbers this year, particularly for general insurance complaints. Effective complaint management, and early resolution of customer issues, are positive signs in terms of conduct, culture and customer experience.



“ The communication was great and as soon as IFSO sent the complaint in to the insurance company I was assured from the insurance company the very next day the refund will be paid.

## NPS rating = 44

We have begun surveying consumers about their complaint enquiry experience and the response has been positive. We had an end of financial year Net Promoter Score of 44.

“ The best thing about calling IFSO was how quickly you spoke to a real person. Most agencies you phone, you have to press 1 for xyz then it takes you to another menu to press 2/3/4. By the time you get to speak with someone, you've usually been on the phone for a good 5 minutes. I was also very pleased with the rep I spoke to. He was very informative, friendly and provided clear next steps. Overall, I have had a very positive experience with IFSO. Thank you for everything you do.

Case study | Vehicle insurance | 00213911



## Son crashes car, no cover

**Insurers must act with reasonable care and skill.  
Check your policy for exclusions.**

Two weeks after Cora\* arranged insurance for her car, her son Ari\* crashed it. Cora's claim was declined because the policy specifically excluded Ari as a driver. But Cora said the insurer's rep confirmed that Ari could drive the car and would be covered. Cora didn't receive the policy wording until after the accident, because it was posted to her old address.

After listening to phone recordings, the case manager concluded the insurer's rep did not act with reasonable care and skill when arranging Cora's policy. Cora was incorrectly assured Ari was covered to drive the car, and the rep failed to record Cora's new address details. Later conversations did not provide clarity about cover for Ari. Following discussions with the case manager, the insurer confirmed it would pay the claim.

**Complaint settled**

Case study | House insurance | 00211683



## Excess dog damage

**An excess is paid when insurance claims are accepted.  
If damage is caused by more than one event, more than  
one excess can be applied.**

Viv's\* insurance claim, for carpet damaged by dog vomit and diarrhoea, was accepted. Three policy excesses (totalling \$1,200) were deducted from the payment. The policy specified an excess of \$400 would be deducted for each "incident", being "something that happens at a particular point in time, at a particular place and in a particular way."

Viv said the vomiting and diarrhoea occurred throughout the house over one day. But it happened at different times during the day. Each time Viv's carpet was damaged was a separate incident (the incident is what happened, not the cause). It was reasonable for the insurer to apply three excesses.

**Complaint not upheld**

\* Names have been changed.

# Complaints 2020

In 2019–2020, the IFSO Scheme accepted **282** complaints for investigation and closed **300** complaints

(in 2018–19 we accepted 322 complaints for investigation and closed 318)

## TOP 5 complaint issues

1. Policy exclusions
2. Scope of cover
3. Non-disclosure
4. Pre-existing conditions
5. Misselling / misleading information / misrepresentation

Access to quality dispute resolution is the heart of the IFSO Scheme. When investigating complaints, our team of case managers apply negotiation, conciliation and mediation to reach agreement where possible. The process is fair, transparent and impartial.

“ [The case manager] was an excellent communicator, kept us informed through the process.

### COMPLAINTS ACCEPTED BY SECTOR

- Insurance: General (163)
- Insurance: Health, Life and Disability (81)
- Credit Contracts (22)
- Financial Adviser (12)
- Superannuation (2)
- Investment and Savings (1)
- Other Financial Services (1)



“ I would like to thank you guys, excellent service, communication and most importantly the case manager was very helpful.

### Over 80% of people surveyed said:



they were given a clear explanation about the IFSO Scheme process



the case manager was helpful and easy to speak to on the telephone



they were kept well informed about the entire process

## Complaint outcomes

In 2019–2020, 59 complaints (20%) were settled through negotiation and mediation; 13 (4%) were partly upheld; 7 (2%) were upheld; 1 was partly settled; and 220 (73%) were not upheld.



### Systemic issues

Over the year we raised 8 systemic issues with our Participants. Outcomes included the Participant changing their processes, amending documentation, reviewing other claims, and issuing guidance notes to staff. One case was notified to the relevant regulator as required by the Financial Service Providers (Registration and Dispute Resolution) Act.

“ While it took some time to get a result, it was clear that the time was spent doing thorough research into my claim and I am satisfied that they did their job well. Thank you.

## Informing customers about complaints processes

Financial Service Providers are required to inform their customers about their complaints process and their IFSO Scheme membership. 58% of complainants surveyed said they had received enough information from their provider about their internal complaints process and only 53% said they received enough information about the IFSO Scheme.

Better customer outcomes include ensuring customers know where to make complaints. We will be reminding our Participants this year that there should be no barriers to access the IFSO Scheme.



The average time taken to close complaints was **65.13 days**

(about 47 working days). This is a reduction from last year's average of **71.87 days** (about 51 working days).

**77% of all complaints were resolved in less than 90 days.** (Up from 71% last year.)

“ [The case manager] was fantastic to deal with. I felt that she really listened to our complaint.

“ Communication was prompt and we knew the status of our complaint along the way.



**56 complaints** resulted in **\$842,830** being paid by Participants to consumers, as recorded on our database.

This does not include weekly disability benefit payments under income protection, superannuation or life policies.

In a further 3 complaints, the amount paid to the consumer was not known when the file was closed or a non-financial solution was applied.



## Colon cancer, non-disclosure

Your full medical history must be disclosed. Insurers are responsible for proving the undisclosed information would have affected the terms of the policy.

Jin\* and his wife Mei\* had life and trauma insurance. In 2018, Jin made a trauma insurance claim after being diagnosed with stage 4 colon cancer at age 31. The insurer said it was avoiding the policy, because Jin had not disclosed 2 material facts: a colonoscopy he had when he was 13, which may have found a polyp, and a nutritional anaemia diagnosis during an immigration medical in 2013. Jin said his only memory of the colonoscopy was being told there was “nothing to worry about”, and he recalled being told he had “low blood” in 2013 because of his diet. Jin died shortly before the complaint was referred to the IFSO Scheme.

There were limited facts available about the colonoscopy, and no follow-up. The insurer could not prove Jin knew he had suffered “any disease or disorder of the gastrointestinal tract or bowel” as he was asked on the insurance application.

The case manager concluded the anaemia diagnosis was material, because 3 prudent underwriters advised they would have requested follow-up tests and offered different policy terms.

The case manager asked if the insurer would consider settling the complaint on the reduced cover that would have been provided, if the anaemia had been disclosed. The insurer agreed, and Mei received half the life benefit: \$95,664.

**Complaint settled**



## \$43K loan, car repossessed, CCCFA breach

The CCCFA sets out lender responsibilities for consumer protection. Breaches must be fixed.

In June 2017, Charlie\* arranged a \$43,000 loan, and payment protection insurance for \$3,700, to buy a Ford Ranger ute. Two years later, after Charlie was diagnosed with terminal cancer and was unable to work, the payment protection insurance payments for Charlie’s loan stopped, and he fell into arrears. Charlie’s car was repossessed by the lender. A representative complained on Charlie’s behalf and said Charlie’s hardship application had not been considered.

The Credit Contracts and Consumer Finance Act 2003 (CCCFA) sets out lender responsibilities for consumer protection. The case manager reviewed the correspondence and found Charlie’s hardship application had been reasonably considered. However, a couple of mistakes had been made, which displayed unfortunate conduct, particularly given Charlie’s vulnerability. The post-repossession notice for Charlie did not contain all the necessary information, as required by the CCCFA. On this basis, the lender agreed to waive the repossession costs and fees for Charlie.

The case manager also discovered the decision to stop Charlie’s payment protection insurance claim was made according to a different (wrong) version of the insurance policy to the version Charlie signed. The difference had a material impact on the length of time claim payments would be made. The insurer agreed to extend the insurance payments for 7 additional months, to the end date of the policy (June 2020), and the ute was returned to Charlie.

**Complaint settled**

\* Names have been changed.

# Sharing our message

The challenges of 2020 and the Covid-19 response highlighted the strength of community, and the importance of free and independent services.

We are here to help. Together with responding to enquiries and investigating complaints, we provide information and guidance to help consumers make informed choices and become more confident and capable in the financial sector. Engaging with community organisations helps spread the word about our service, together with sharing tips and information through media, social media, presentations, and our new and improved website.



**3,922**

complaint enquiries were received



**2,489**

calls to free phone 0800 888 202



**45,571**

website visits to [www.ifsoscheme.org.nz](http://www.ifsoscheme.org.nz)



**71**

media interviews, responses and releases

## Financial Capability

25 years of resolving complaints creates a wealth of knowledge about how and when things go wrong. By sharing that knowledge, we aim to help more things go right. Misunderstanding and miscommunication are common complaint themes – good information is key.

Our new website shares real stories about real complaints – from car accidents to holiday mishaps, burglaries, fires, floods, earthquakes, births and deaths. Insurance can make a difference, but it won't cover everything – we share tips to help prevent future issues. For example: check your policy for exclusions, limitations and requirements; keep receipts and records; take photos of damaged property; specify valuable items and get valuations; purchase travel insurance when you purchase your flights; report incidents immediately; tell all and tell the truth.

With other financial services, such as financial advice, loans and investments, we say take time before you sign. Explore whether this is the right product or service for you. What fees will you be charged? What are your payment obligations? What else do you need to know? Keep asking questions until you understand, and always ask for extra help if you need it.

## Accessibility

While our new website makes it easier to make a complaint and find information, some people might need help with writing or completing our online complaint form, or require an interpretation service – we can provide that support. Accessibility is key and we will continue working on improvements.

## Community engagement

We appreciate working with community, industry and government organisations, including the Citizens Advice Bureau (CAB), FinCap, Age Concern, the Ministry of Business, Innovation & Employment (MBIE), the Commerce Commission, the Financial Markets Authority (FMA), the Commission for Financial Capability, the Insurance Council of New Zealand (ICNZ), Financial Advice New Zealand, Professional IQ, the Australian and NZ Institute of Insurance and Finance (ANZIIF), the Financial Services Council (FSC), the Financial Services Federation (FSF), and Health Funds (HFANZ).

 [Facebook.com/IFSOScheme](https://www.facebook.com/IFSOScheme)

 [Linkedin.com/company/IFSOScheme](https://www.linkedin.com/company/IFSOScheme)

# Supporting membership

Preventing complaints is as important as resolving them.

We use data and insights from complaints to help our Participants meet their conduct, customer service and licensing obligations. Better consumer outcomes and improved confidence in the financial sector is the bigger picture.

AT 30 JUNE 2020, OUR GROWING MEMBERSHIP OF 4,716 PARTICIPANTS CONSISTED OF:

<b>52</b>	<b>2,108</b>	<b>607</b>	<b>1,949</b>
insurers	financial advisers	financial adviser businesses	other financial service providers*

\* Includes providers of KiwiSaver, superannuation, investments and securities, loans, foreign exchange and money transfers, and their employees and nominated representatives.

## IFSO Scheme Support Services

### COMPLAINT RESPONSE



Assistance helpline



Internal complaint templates



Checklists and registers

### LICENSING COMPLIANCE



Policy and procedures



Process-map and controls



Toolkits

### COMPLAINT MANAGEMENT



Case study database



Claims management



Conduct and culture

### SERVICE IMPROVEMENT



Professional development



Insights and data



Financial capability

## Online resources



IFSO Scheme Participants can access the full complaint case study database, data and insights, resources and a free webinar library to help make business improvements and meet future requirements. Our interactive toolkits include training modules and resources to help Participants meet their licensing obligations, update their complaints process, and improve culture and conduct.

## Professional development

The IFSO Scheme offers an extensive webinar programme, together with face-to-face training for conferences and groups. The focus of the professional development programme is improved conduct and better customer outcomes. Webinars cover a range of topics and discuss how complaints can help prevent future issues.



Throughout the year, the IFSO Scheme presented **46 webinars**, including our new Coffee Time series.

The IFSO Scheme also presented 10 webinars in partnership with Professional IQ.

“ This webinar was so good and had such excellent examples, I have emailed the whole team recommending they watch it.



## Coffee Time Webcasts

Our Coffee Time sessions have been a great opportunity to adapt our CPD for the changing needs of our Participants during lockdown and beyond. Held on Thursday mornings via Zoom, each of the free webcasts has been fully subscribed, with over **1,750 registrations**, an average attendance of **147**. IFSO Scheme case managers, Commissioners and sector experts presented on topical issues including:

- Working from home: tips and challenges, with the IFSO Scheme team
- Responding to financial panic, with Dr Pushpa Wood, Director of the Westpac Massey Financial Education and Research Centre

- Purpose in a crisis, with Chris Curtin, CEO AA insurance Ltd
- Responsible lending in a crisis, with Lyn McMorran, Executive Director, Financial Services Federation NZ
- Investment in a volatile market, with Ben Brinkerhoff, Head of Adviser Services, Concilium NZ
- Health reforms and private insurance, with Rob Hennin, CEO nib New Zealand
- Managing difficult conversations, the Power of the Apology, Changing policies and changing codes, all with Karen Stevens, IFSO

The series has been a success, with positive feedback requesting we continue the webcasts every fortnight.

“ All these are very good and interesting from actually realising how the IFSO goes about complaints to the content presented on applicable topics. Never too old to pick up new ideas!

“ I truly appreciate your webinars. So informative and well planned. The information is so current and is a good check on staying sane, especially in these times. Many thanks again.



## No home, 4 loans, responsible lending?

### CCCFA lender responsibilities aim to protect consumers against substantial hardship.

Ann,\* who was supporting a high-needs child on a benefit, arranged 4 loans over 2 years with the same finance company (lender). Ann later told her lender she couldn't make the repayments - her house had been demolished and she was homeless. Over the next year, the lender rearranged Ann's loans: increasing, then reducing, then extending her repayments. Ann was charged multiple fees. Eventually, the lender issued a repossession notice.

A community lawyer complained on Ann's behalf about irresponsible lending and unreasonable fees. He said the lender knew about Ann's circumstances, and it was clear Ann couldn't afford to repay the loans, which would create substantial hardship.

Under the Credit Contracts and Consumer Finance Act 2003 (CCCFA), lenders must make reasonable inquiries to be satisfied the loan is suitable, and repayments can be made without causing substantial hardship. The CCCFA also states fees must be reasonable. The lender said it made reasonable inquiries for each loan, and its fees were reasonable. However, it did not provide any evidence about its process, or fees.

The case manager acknowledged the lender made adjustments to allow Ann to repay a small amount per week, without interest, until the debt was repaid. But the lender was not able to prove it lent responsibly to Ann, who was a vulnerable borrower.

The lender accepted its communication could have been better and agreed to refund Ann's payments (since the complaint) and write off Ann's debt.

### Complaint settled



## Request to reduce life cover

### Insurers and financial advisers must act with reasonable care and skill, and insurers have a duty of good faith.

In June 2018, Sam\*, who had been in hospital for 10 weeks, told his financial adviser, Tama\*, he wanted to reduce his life insurance cover from \$268,000 to \$100,000, as the premiums were too high. Tama said Sam should wait for a diagnosis and discuss the matter with his wife, Jo.\* Sam said to proceed. Tama asked both Sam and Jo to sign the request, even though Jo wasn't a policyholder. Tama sent the request to the insurer, explaining Sam was in hospital. Jo co-signed the request to confirm she understood.

In July 2018, Sam told Tama he wanted to cancel the policy, because the premiums were too high. Tama recommended against it, and didn't proceed.

In August 2018, Sam's health deteriorated, and a claim was made for early payment of the life cover. Sam died in September and the insurer paid his Estate \$100,000. The Estate complained, saying the adviser and the insurer breached their duties of care to safeguard Sam (who was vulnerable) and Jo from financial loss, because the Estate only received the reduced sum insured.

Insurers have a duty to ensure vulnerable customers are not financially disadvantaged to the insurer's advantage. However, information about Sam's deteriorating condition wasn't provided to either Tama, or the insurer.

There was no evidence Tama failed to exercise reasonable care and skill (Consumer Guarantees Act). Sam had previously discussed reducing the cover with Tama and, by asking Jo to co-sign, Tama did what he could to alert Sam's family without breaching his privacy. Insurers must act in good faith and with reasonable care and skill. The insurer said, because Jo had co-signed, it had no concerns. The insurer had not breached its obligations.

### Complaint not upheld

\* Names have been changed.



## \$189K romance scam

### Financial Advisers must exercise reasonable care and skill.

Andre\*, who was a quadriplegic, and his sister Eve\* were Trustees in a Family Trust. In 2013, the Trust arranged an investment through Tony\*, an Authorised Financial Adviser (AFA). From November 2017 to May 2018, Andre emailed Tony requesting 5 withdrawals from the investment. Tony arranged the withdrawals (totalling \$189K) to be moved into the Trust's bank account.

In June 2018, Eve told Tony that Andre had been scammed, and the \$189K had gone. Andre believed he'd paid the money to a woman he'd met online who was moving to NZ to marry him and would bring the money back.

Eve alleged Tony had breached a duty of care to the Trust and failed to provide financial advice, because he didn't question, discourage, or alert her to the withdrawals. She also said, by not requesting a signature, Tony had breached the terms of the agreement.

As an AFA, Tony was required to exercise reasonable care and skill under the Consumer Guarantees Act 1993 and the Financial Advisers Act 2008, and to follow standards of professional conduct under the Code of Professional Conduct.

In this case, Tony's specified scope of service was to provide advice about the Trust's lump sum investment. Under the agreement, Tony was authorised to carry out withdrawal requests and, in enabling withdrawals, he was not

required to provide financial advice, obtain a signature, or check with other Trustees. Without an agreement in place to ensure both Trustees had oversight over withdrawals, it wasn't reasonable to require Tony to question Andre, or check with Eve. Tony did contact Andre about the largest withdrawal and was told it would be repaid soon.

Tony placed the withdrawn money into the Trust's bank account, but had no oversight over subsequent transactions.

The case manager considered Andre's vulnerability, because of his health issues and his exposure to a scam. However, Andre had been involved in previous investment decisions, and Andre (not Eve) reviewed the investment with Tony every year. There was no reason for Tony to treat the withdrawals with suspicion, or assume Andre couldn't make financial decisions.

Although the case manager had considerable sympathy for Andre and Eve, there was no evidence Tony failed to meet his obligations, or that he had failed to act with reasonable care and skill.

### Complaint not upheld

\* Names have been changed.



## Stress after the storm

**Independent evidence can be critical to progressing insurance claims. The IFSO Scheme process brought the parties together to finalise the claim.**

A massive storm caused damage and flooding to Priya\* and Joe's\* house. Priya, who was undergoing cancer treatment and immune-compromised, was concerned about living in a damp, damaged house. The insurer accepted Priya and Joe's claim, but ongoing issues about the scope of repair work continued for a year. Priya's treatment, and a close relative's death, further extended the duration of the claim.

Priya and Joe complained. They said the process had been stressful, the repair work hadn't begun, and the insurer's cash settlement offer wouldn't cover the storm damage. The insurer was also keen to get the claim sorted and was supportive of the IFSO Scheme's role.

The policy specified the insurer was to pay the estimated reasonable cost to repair the damage. The IFSO Scheme case manager supported Priya and Joe in getting an independent builder's report and quote,

which was significantly higher than the insurer's cost estimate. The insurer agreed, on this basis, to increase the cash settlement offer by \$62,995.

The case manager found the insurer was also required to pay an additional \$30,135 for items not included in the scope, like temporary accommodation and outdoor cleaning. However, the insurer was not required to pay more than 50% of the fence or survey report costs, because the fence was not within the boundary.

The insurer agreed to appoint an independent builder to inspect the site when repairs began, to determine any hidden storm damage.

### **Complaint partially upheld**

\* Names have been changed.



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