Financial Service Providers (Registration and Dispute Resolution) Amendment Bill

Government Bill

As reported from the Finance and Expenditure Committee

Commentary

Recommendation

The Finance and Expenditure Committee has examined the Financial Service Providers (Registration and Dispute Resolution) Amendment Bill and recommends that it be passed. We recommend all amendments unanimously.

Introduction

The Financial Service Providers (Registration and Dispute Resolution) Amendment Bill is one of three bills that the Government is progressing as a package of reforms to financial services regulation. The other bills are the Credit Contracts and Consumer Finance Amendment Bill and the Financial Markets Conduct Amendment Bill. The reforms aim to simplify and streamline regulation of financial services, remove undue compliance costs for financial markets participants, and improve outcomes for consumers.

About dispute resolution schemes

Most providers of financial services to retail customers (including banks, insurers, lenders, and KiwiSaver providers) must belong to an approved dispute resolution scheme. The schemes are designed to deal with complaints or disputes arising with individual customers or small organisations; dispute resolution is a free service.

Four schemes are currently approved to provide financial dispute resolution services:

- Banking Ombudsman Scheme
- Insurance & Financial Services Ombudsman
- Financial Services Complaints Limited
- Financial Dispute Resolution Service.

About the bill

This bill seeks to improve the effectiveness of the financial dispute resolution system for customers. It would do this by making two main amendments to the Financial Service Providers (Registration and Dispute Resolution) Act 2008:

- It would allow the responsible Minister to decide how and when independent reviews of the approved dispute resolution schemes are carried out. This would enable reviews to be more consistent and make it easier to compare the schemes.
- It would allow regulations to set minimum requirements for scheme board members, including skills, experience, and independence from industry. This would help to maintain effective and independent governance of the schemes.

The bill would also make other minor changes to the Act. It would make clear that schemes' annual reports must include information about the operation of the approved scheme and any independent review report received within the last financial year.

Legislative scrutiny

As part of our consideration of the bill, we have examined its consistency with principles of good legislative design. We considered several matters, which we are satisfied have been addressed without requiring any amendments to the bill. We refer readers to page 12 of the departmental report for more information.

Proposed amendment

This commentary covers the main amendment we recommend to the bill as introduced. We do not discuss minor or technical amendments.

"Reasonably independent of any financial service provider"

Proposed new section 79(1)(caa)(iii) would enable regulations to prescribe requirements to ensure that scheme board members are reasonably independent of any financial service provider or group of financial service providers. This regulation-making power is intended to provide flexibility to balance independence with expertise.

Dispute resolution schemes emphasised the value of retaining some financial service provider representation on their boards, citing the importance of sector expertise and funding relationships. The New Zealand Banking Association told us it was concerned that the provision could be interpreted as requiring the removal of current industry representatives from dispute resolution scheme governance roles.

The bill is not intended to entirely prohibit all current industry representatives from dispute resolution scheme governance roles. However, we acknowledge that the bill as introduced may give this impression.

We recommend amending proposed new section 79(1)(caa)(iii) so that it focuses on requirements to ensure independence of the board as a whole. For example, the regulations could place limits on the number or proportion of members on a board or governing body who may represent or promote the interests or views of any industry participants.

Other matter considered

Scheme consolidation

The bill does not propose consolidating the four approved financial dispute resolution schemes. However, we acknowledge the significant support for a single-scheme model from consumer advocates, who argue that:

- the current multi-scheme model creates confusion, inconsistency, and accessibility barriers for consumers
- a single scheme would improve fairness, transparency, and efficiency by reducing duplication
- international best practice supports unified dispute resolution frameworks.

Dispute resolution schemes raised concerns about calls to consolidate the four approved financial dispute resolution schemes into a single entity. The Banking Ombudsman cautioned that such a move would be premature and could undermine existing consumer awareness of and trust in the current schemes. It also warned that consolidation might erode the specialist expertise that each scheme has developed.

The Insurance & Financial Services Ombudsman pointed to the troubled experience of a financial ombudsman service overseas, which has faced criticism for overstating its success rates, poor consumer ratings, and leadership instability.

Financial Services Complaints Limited acknowledged the potential benefits of consolidation and wondered if a broader review of the Act might be worthwhile. It referred to its May 2025 independent review, which identified a view from consumers and consumer advocates that there should be one dispute resolution scheme for all financial services. The review argued that, done well, a single scheme would level the playing field for all participants.

The issue of scheme consolidation is outside the policy intent of this bill. However, the potential benefits of having a single financial dispute resolution scheme could include improved fairness, transparency, and efficiency. Scheme consolidation would represent a substantial structural reform. We encourage the Minister to undertake further analysis of the costs, benefits, and risks; broad stakeholder consultation; and, potentially, a wider review of the primary Act. We intend to monitor the effects of the legislation and any policy work in the scheme consolidation area in 12 months.

Appendix

Committee process

The Financial Service Providers (Registration and Dispute Resolution) Amendment Bill was referred to this committee on 20 May 2025. The House instructed us to report the bill back no later than 20 October 2025.

We called for submissions on the bill on 21 May 2025 with a closing date of 23 June 2025. We received and considered submissions from 63 interested groups and individuals. We heard oral evidence from 13 submitters at hearings in Wellington and via videoconference. We wish to acknowledge the efforts of all submitters and thank them for their engagement.

Advice on the bill was provided by the Ministry of Business, Innovation and Employment. The Office of the Clerk provided advice on the bill's legislative quality. The Parliamentary Counsel Office assisted with legal drafting. The Regulations Review Committee wrote to us about regulation-making powers in the bill.

Committee membership

Cameron Brewer (Chairperson)

Jamie Arbuckle (until 13 August 2025)

Dan Bidois

Hon Barbara Edmonds

Ryan Hamilton

Mariameno Kapa-Kingi (from 4 June to 25 June 2025)

Nancy Lu

Hon Dr Deborah Russell

Todd Stephenson

Chlöe Swarbrick

Rawiri Waititi (excluding 4 June to 25 June 2025)

Dr David Wilson (from 13 August 2025)

Hon Dr Megan Woods

Arena Williams participated in our consideration of the bill.

Related resources

The documents we received as advice and evidence are available on the Parliament website.

Key to symbols used in reprinted bill

As reported from a select committee

text inserted unanimously

~~text deleted unanimously~~

Hon Scott Simpson

Financial Service Providers (Registration and Dispute Resolution) Amendment Bill

Government Bill

Contents

The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Financial Service Providers (Registration and Dispute Resolution) Amendment Act **2025**.

2 Commencement

This Act comes into force on the day after Royal assent.

3 Principal Act

This Act amends the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

Part 1
Main amendments

4 Section 52 amended (Mandatory considerations for approval)

After section 52(1)(c), insert:

(ca) whether the requirements prescribed under **section 79(1)(caa)** (if any) are complied with:

5 Section 56 amended (Withdrawal of approval)

(1) In section 56(1)(a), after “requirement”, insert “(for example, a requirement under **section 79(1)(caa)**)”.

(2) Repeal section 56(1)(e)(iii).

(3) In section 56(1)(g), replace “section 67” with “section 67, **67D(1), 67F,** or 70”.

6 Section 63 amended (Rules about approved dispute resolution scheme)

Repeal section 63(1)(q).

7 New sections 67B to 67F and cross-heading inserted

After section 67A, insert:

Independent review

67B Independent reviews of schemes

(1) The Minister may require that an independent review of 1 or more approved dispute resolution schemes be carried out by giving a written notice to the persons responsible for those schemes.

(2) The notice may provide for the manner in which the review must be carried out, including providing for any of the following matters:

(a) when and how the review must be carried out:

(b) the reviewer:

(c) the terms of reference for the review:

(d) requirements for the form and content of the report on the review and for when the report must be given to the Minister:

(e) requirements for the persons responsible for the schemes to pay fees and expenses to the reviewer (including providing for how those fees and expenses are to be ascertained and for the share of each of those persons).

(3) The Minister may appoint as the reviewer any person who, in the Minister's opinion, has the appropriate knowledge, skills, and experience to carry out the review.

(4) The appointment must be made by written notice to the reviewer.

(5) The Minister must ensure that each approved dispute resolution scheme is reviewed under this section at least once every 5 years.

(6) In this section and **sections 67D and 67E**, **reviewer** means the person appointed under **subsection (3)**.

67C Minister must consult person responsible for scheme

The Minister must consult the person responsible for a scheme before giving them a notice under **section 67B**.

67D Reasonable assistance and payment of fees and expenses

(1) The person responsible for a scheme—

(a) must give all reasonable assistance to the reviewer to enable the review to be carried out; and

(b) must not hinder, obstruct, or delay the reviewer in carrying out the review.

(2) The person responsible for a scheme must pay any fee or expense in accordance with a requirement under **section 67B(2)(e)**.

(3) Any amount of a fee or an expense payable to a reviewer is recoverable in any court of competent jurisdiction as a debt due to the reviewer.

67E Report on review

The reviewer must, as soon as practicable after completing a report on a review, give a copy of the report to the Minister and to each person responsible for a scheme to which the review relates.

67F Person responsible for scheme must respond to report

(1) The person responsible for a scheme must, within 3 months after receiving a copy of the report under **section 67E**, give a written notice to the Minister setting out how they have addressed, or intend to address, the recommendations contained in the report (including reasons for that response).

(2) The person responsible for a scheme must, within 5 working days after giving the notice to the Minister, publish the following on an ~~internet~~ Internet site that is publicly available (at all reasonable times):

(a) the notice; and

(b) the report received under **section 67E**.

8 Section 68 replaced (Annual report)

Replace section 68 with:

68 Annual report

(1) The person responsible for an approved dispute resolution scheme must supply to the Minister, within 3 months after the end of the financial year applying to the scheme, an annual report about the scheme's operation in relation to that financial year.

(2) The report must include—

(a) information about complaints received during the financial year; and

(b) information about any independent review under **section 67B** if a report on the review was received under **section 67E** during the financial year; and

(c) the information about the scheme that is prescribed by the regulations (if any).

9 Section 69 amended (Person responsible for approved dispute resolution scheme must supply further information on Minister's request)

(1) After section 69(1)(b), insert:

(c) any further information requested by the Minister in connection with a notice given under **section 67F**.

(2) After section 69(1), insert:

(1A) The person responsible for an approved dispute resolution scheme must supply the requested information within the time and in the manner specified by the Minister.

10 Section 70 amended (Annual report and information requested by Minister to be publicly available)

In the heading to section 70, delete "**and information requested by Minister**".

11 Section 79 amended (Regulations under this Part)

(1) After section 79(1)(c), insert:

(caa) prescribing requirements for the membership of the board or other governing body of the person responsible for an approved dispute resolution scheme, for its chairperson, and for any deputy or acting chairperson, including prescribing any of the following ~~(which may be specified for 1 or more members or for the board or other governing body as a group)~~:

(i) requirements for the knowledge, skills, and experience of members (*see* **subsection (1BA)**):

(ii) grounds for disqualifying a person from being a member (*see* **subsection (1BA)**):

~~(iii) requirements to ensure that members, and the board or other governing body, are reasonably independent of any financial service provider or group of financial service providers (for example, to prevent a member from representing, or promoting the interests or views of, any industry participants):~~

(iii) requirements to ensure that the board or other governing body is reasonably independent of any financial service provider or group of financial service providers (for example, limits on the number or proportion of members of the board or governing body who may represent, or promote the interests or views of, any industry participants):

(2) Repeal section 79(1)(e).

(2A) After section 79(1B), insert:

(1BA) The matters referred to in **subsection (1)(caa)(i) and (ii)** may be specified for 1 or more members or for the board or other governing body as a group.

(3) In section 79(1C), replace "(1)(ca)" with "(1)**(caa)**, (ca),".

12 New section 79AAA inserted (Validity of appointments and acts not affected by failure to comply with regulations)

After section 79, insert:

79AAA Validity of appointments and acts not affected by failure to comply with regulations

(1) The validity of the following is not affected by any failure to comply with a requirement prescribed under **section 79(1)(caa)**:

(a) the appointment of a person as a member, chairperson, or deputy or acting chairperson of a board:

(b) the acts of a board:

(c) the acts of a person as a member, chairperson, or deputy or acting chairperson of a board.

(2) In this section, **board** means the board or other governing body of the person responsible for an approved dispute resolution scheme.

Part 2
Amendment to Schedule 1AA

13 Schedule 1AA amended

In Schedule 1AA,—

(a) insert the Part set out in the **Schedule** of this Act as the last Part; and

(b) make all necessary consequential amendments.

Schedule
New Part 3 inserted into Schedule 1AA

s 13

Part 3
Provision relating to Financial Service Providers (Registration and Dispute Resolution) Amendment Act 2025

5 Changes to remove rules about independent reviews do not need to be notified or considered

Sections 65 and 66 do not apply to any of the following changes to the rules about a dispute resolution scheme:

(a) a change to remove rules that provide for, or set out, matters for the purposes of section 63(1)(q) (as in force before its repeal):

(b) a change that is consequential on a change referred to in **paragraph (a)**.

Legislative history

31 March 2025	Introduction (Bill 136–1)
20 May 2025	First reading and referral to Finance and Expenditure Committee

Wellington, New Zealand:

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