



Annual Report 2021

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

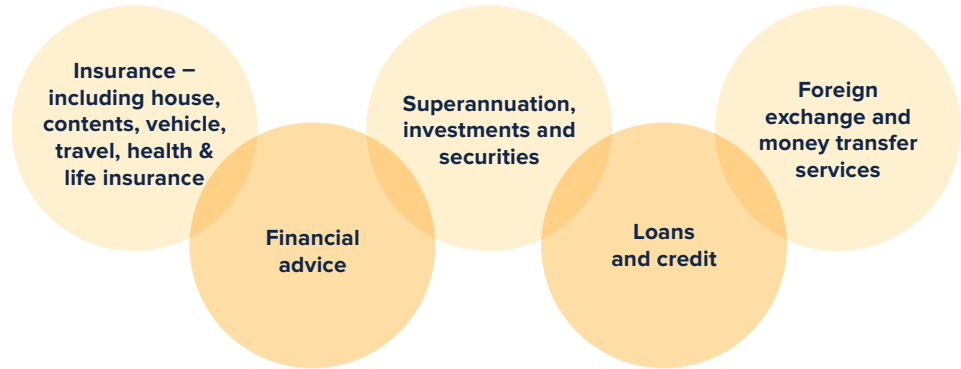
Our service is independent and fair, and free for consumers.

 0800 888 202  info@ifso.nz  www.ifso.nz  





We resolve complaints and respond to enquiries about:



The IFSO Scheme has provided an independent, fair and free consumer dispute resolution service for 26 years.

Since the IFSO Scheme was established in 1995:



70,081

complaint enquiries have been responded to

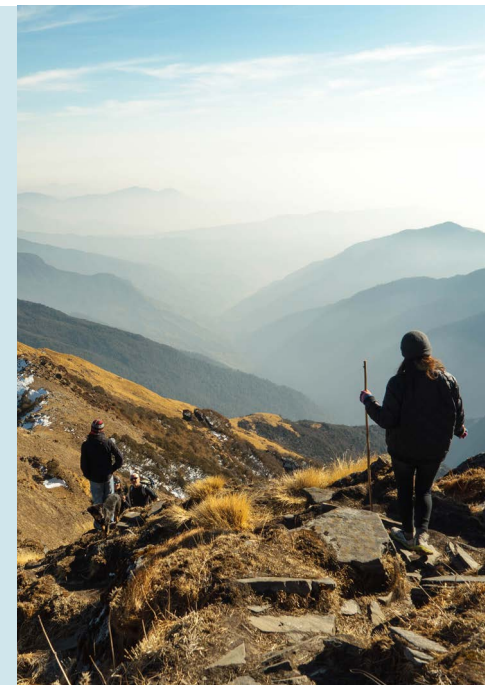


7,340

complaints have been investigated

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Sue Suckling – IFSO Scheme Commission Chair



The 2020/21 year has been demanding for our sector, with the ongoing uncertainty associated with COVID, system changes and pressures.

New regulation and controls are underway for financial service providers, and the global focus on improved conduct and culture has impacted all Participants. Additionally, customer expectations are changing, with demands for different use patterns and product expectations. Having the partnerships, resources, and infrastructure to innovate, adapt and thrive has proved vital.

At the IFSO Scheme we are mindful of emerging patterns, topics, and issues. Our goal is to be match-fit - ready and flexible enough to embrace change. In this increasingly connected and digitised world, there is a greater demand for improved service delivery. We have continued to invest in our website functionality to better serve both consumers and Participants. Expectations have also grown around data security, communication, transparency, and faster delivery. The Commission has invested in an independent review of the security of our data systems, and this investment will continue, giving both Participants and consumers peace of mind.

The continued presence of COVID-19 has ongoing consequences for society. We have all seen the financial and emotional stressors of coping with closed borders and changing alert levels. The increase in major weather events have a huge impact on our communities.

This year, the IFSO Scheme received a surge in complaints, and our specialist team worked hard to maintain complaint closure rates. At times, because of this surge, resolution times were extended beyond the benchmarks we set ourselves. We are appreciative of the patience and support we received from those impacted.

We've also grown our support for Participants' learning and development. We've invested in IT platforms, improved accessibility and education opportunities. This investment will continue, because knowledgeable, skilled Participants deliver better outcomes for consumers.

Mindful of the severe business disruption caused by the global pandemic, the Commission has not increased Participant levies in the past two years. Anticipating the compliance burden faced by Financial Advice Providers with the implementation of FSLAA, the Commission approved a restructure of annual levies for the advice sector that saw a reduction in the standard adviser levy rate, with volume discounts. Feedback from Participants has also been favourable regarding the retention of the IFSO Scheme's unique capped complaint fee, which is well below the actual cost of resolving individual complaints.

However, as with many businesses in the financial sector, the IFSO Scheme is facing higher operational costs and service demands, which the IFSO Scheme Commission believes will only increase in the future. The Commission will look to review levies in 2022, to enable continuing investment in our people and technology, to ensure the IFSO Scheme remains at the forefront of dispute resolution for the insurance and financial services sector. Our overarching financial goal will continue to be efficient, effective and operate at a sustainable breakeven budget.

Financially, we have carefully managed costs and delivered a surplus of \$269,569 after tax. As noted in the detailed financial statements, we have incorporated two new accounting based events this year. Neither of these changes have had an effect on cash levels, solvency or reserves.

It has now been a year with a refreshed Commission, with both new industry and consumer representatives. Our work for greater consumer reach is ongoing, with the support and innovation brought to us through our consumer Commission Members. Our continued aim is to improve the awareness and engagement of the complaints service, focusing on consumer groups who are less well-represented, and on providing equitable access to our service.

I would like to thank the Commissioners for their dedicated work this year; nib New Zealand CEO – Rob Hennin, Massey Financial Education and Research Centre Director – Dr Pushpa Wood, Financial Services Federation Executive Director – Lyn McMorran, Māori Women's Development Inc CEO – Teresa Tepania-Ashton, Banqer CEO – Kendall Flutey, and AA Insurance CE – Chris Curtin.

Finally, I would like to thank Karen Stevens for her vision and leadership, Deputy Ombudsman, Louise Peters, and the committed IFSO Scheme team.

A handwritten signature in black ink, appearing to read 'Sue Suckling'.

Sue Suckling

IFSO Scheme Commission Chair, OBE

Karen Stevens – Insurance & Financial Services Ombudsman



Throughout 2020/21, we have had to deal with change and increased layers of complexity in every aspect of our work.

The challenges of COVID-19 have continued, impacting on financial products and services and, more generally, on the health and well-being of our staff, Participants and their customers.

Climate change and increasing natural disasters challenge the insurance sector, putting customers and communities under enormous pressure. We focus on being an information hub for consumers in those times of stress and uncertainty, making sure we are visible in the media with early information to help consumers work through insurance claims, and by providing easily accessible information on our website, online complaint form and free 0800 help number. We have also partnered with other schemes to help community organisations get consumers to us more easily when they are having difficulty dealing with their financial service providers, most often in the credit sector. This is the area in which we are more likely to see hardship and vulnerability. To protect consumers, we have seen consumer credit law changes to ensure responsible lending, which is supported actively by the Commerce Commission.

Despite our workload increasing again this year, the complaints have been spread across the sector, rather than being generated by a unique event. Most of the complaints were about insurance, with a 25% increase on last year's

complaints across Fire and General, Life and Health. Increasing awareness by consumers of the FMA's focus on conduct and culture in the insurance sector has played a part in this increase, as has the ICNZ's Fair Insurance Code. The introduction of a new regulatory regime for financial advice providers brings together codified principles which have put fairness, ethical behaviour, conduct and client care at the centre of everything they do.

The knowledge and experience gained from the complaints made to the IFSO Scheme means that we can work with our Participants to improve culture and conduct, harnessing lessons learnt from complaints to provide data and insights, together with offering opportunities for professional development; all of this with the aim of achieving better consumer outcomes.

It has also been a year of firsts for the IFSO Scheme:

- Our first Declaratory Judgment process (Test Case), in which the High Court confirmed the IFSO Scheme's overarching fair and reasonable jurisdiction, following international decisions, where a strict application of the law is secondary to the IFSO Scheme making decisions on what is fair and reasonable in all the circumstances;
- Our first Award against a financial adviser was issued, when the financial adviser failed to make payment to the Complainant in accordance with my Recommendation. Several months later, a second Award followed against another financial adviser for poor conduct. Non-compliance with an Award means a Participant can have membership of the IFSO Scheme terminated and the matter referred to the FMA; and
- The highest number of complaints accepted in 20 years.

ANZOA and INFO Network

Karen Stevens is a founding member and previous 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.

My thanks go to my deputy, Louise Peters, our team of case managers who have done an outstanding job this year, and the continuing support of the Commission.

Looking forward, we now live in a new normal for the foreseeable future, with the threat of another lockdown always just around the corner. However, we have managed this year's challenges and we are well prepared for whatever the coming year may bring. Our strength is our experience and expertise, our willingness to embrace change, and the support we provide for Participants and their customers with a dispute resolution service that is independent, fair, and free to consumers.

Karen Stevens
Insurance & Financial Services Ombudsman

IFSO Scheme financial summary

See www.ifso.nz for the full financial accounts

Revenue

2,226,269 2020*

2,427,476 2021

Expenditure

2,111,526 2020*

2,153,798 2021

Reserves

1,402,984 2020*

1,672,553 2021

*The 2020 Comparative figures have been restated due to the change in accounting policies – please refer to Note 3.1 of the Financial Statements



COVID-19 and cancelled travel plans

Most travel insurance policies have a global pandemic exclusion. As COVID-19 surged, a number of travel insurers agreed to cancel policies and refund premiums for cancelled travel.

On 23 March 2020, while Mr and Mrs Bell* were in Japan, they found out that New Zealand was going into lockdown on 26 March 2020. Mr Bell then booked new flights for 25 March 2020, for an early return to New Zealand.

Mr and Mrs Bell made a claim to the insurer for the cost of the additional flights and other costs, saying they had heard that Alert Level Four was to be introduced and New Zealanders overseas should return urgently.

The insurer declined the complaint, as it believed the claim arose from a government directive, which was an exclusion under the policy.

Mr and Mrs Bell disputed the decision. In their claim to the IFSO Scheme, the couple said the reason they purchased new flights was because Air New Zealand cancelled their return flight for its own commercial reasons. They also said it was not until 1 April 2020 that the insurer said it was not providing cover from 19 March 2020, and they were already overseas at the time.

When Mr and Mrs Bell first made the claim, they did not mention the return flight had been cancelled by the airline; instead, they said it was due to the borders closing.

The insurance policy exclusion applied to claims arising “directly or indirectly” from a government directive. In this case, on 19 March 2020, due to the spread of COVID-19, the New Zealand Government confirmed closure of the borders and urged New Zealand travellers to return home. The IFSO Scheme found this amounted to a “governmental or official authority directive” under the exclusion. As such, the insurer could rely on the exclusion, regardless of whether the original return flight was cancelled prior to booking new flights.

In addition, the IFSO Scheme found Mr and Mrs Bell had booked the additional flights on 23 March 2020 and were not notified of the flight cancellation until 26 March 2020.

While the insurer could rely on the exclusion to decline the claim, Mr and Mrs Bell had paid for additional cover for their pre-existing conditions. The insurer offered to refund this additional amount, to resolve the complaint. Mr and Mrs Bell accepted the refund, in settlement of the complaint.

Complaint settled

COVID-19 and the IFSO Scheme



In the 2018-19 financial year, we investigated nearly 40 travel complaints. This increased by over 30% in 2019-20, when COVID-19 struck. By 2020-21, there was no increase in COVID-19 related travel claims, because international travel had stalled. However, travel complaints still being investigated by the IFSO Scheme virtually all relate to COVID-19.

In 2020-21, we received 71 enquiries about COVID-19 related issues, and accepted 39 complaints, 35 of which were related to travel.

* Names have been changed.

Complaint enquiries 2021

In the year ending 30 June 2021, the IFSO Scheme received a total of **3,626** Complaint Enquiries.

(This is a decrease of 8% from 3,922 in 2020)



1,941

calls to free phone

(decrease from 2,489)



1,254

online

(increase from 747)



411

by email

(decrease from 648)



20

by post

(decrease from 44)




“ From the communications during the process, it became evident an indepth understanding was in train. ”


TOP 5 complaint enquiry issues

1. Scope of cover
2. Premiums
3. Customer service issues
4. Uninsured third party
5. Policy exclusion

Complaint enquiries

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

 **Phone** 0800 888 202

 **Email** info@ifso.nz

 **Online** www.ifso.nz

Our first contact staff give information and guidance on a broad range of insurance and financial services issues. If the enquiry is for another agency or provider, we help them connect. The IFSO Scheme focuses on actively resolving consumer enquiries and providing information on how to raise complaints with Participants.

Online complaint enquiries feedback

Every month we send a survey to consumers who supply us with an email address.

The IFSO Scheme's Net Promoter Score (NPS) is 32



We emailed **892 consumers** in the complaint enquiry survey, with **224 (25%)** responding. Overall satisfaction with our complaint enquiries service was...

 **70%**

Were **“satisfied and very satisfied”** with the IFSO Scheme enquiries service

 **1/3**

Commented they received **helpful information** and advice about their enquiry

 **26%**

Received provider action on their issue with their provider, and commented on the **quick response** to their enquiry



Methamphetamine contamination

Confusion over methamphetamine contamination standards can have severe consequences for some landlords.

Through a financial adviser, Mr and Mrs Singh* held insurance on a rental property. In June 2020, Mr and Mrs Singh discovered that their rental property had been damaged by methamphetamine contamination. They made a claim through their financial adviser to the insurer for the damage. However, the insurer responded to the financial adviser, saying the policy required contamination levels above 15- μg , and asked for a detailed report on the contamination.

The report showed levels of 2- μg in the bathroom. After receiving the report, the insurer said the contamination claim fell outside the scope of cover provided by the policy, because the contamination levels were below the Gluckman report's recommended level of 15- μg level threshold.

Mr and Mrs Singh disputed the decision. They said the Gluckman level was out of step with current law. The couple believed the house had to be decontaminated in line with Tenancy Services' use of the standard of 1.5- μg . They had the house decontaminated and said the insurer's delays in notifying them of the declined claim caused a further loss of rent.

The IFSO Scheme found the insurance contamination clause clearly sets out the cover only applied where the contamination levels were above 15- μg . But it appeared most insurers applied the lower standard. This meant the insurer had to bring this different approach to Mr and Mrs Singh's attention. The IFSO Scheme found the financial adviser was informed of the contamination threshold and was asked to include a leaflet setting out the details of the changes to all customers. As the financial adviser was Mr and Mrs Singh's agent, the insurer had not failed to inform them about the different contamination threshold it used.

Complaint not upheld

Consumers need to know that there are two very different methamphetamine standards in New Zealand; the Ministry of Health standard of 1.5- μg , and the standard set out in a report prepared by the former Chief Science Adviser, Professor Sir Peter Gluckman of 15- μg .



Gradual damage claim

A couple were dismayed when their claim was declined. They were adamant they were insured for gradual damage.

Mr and Mrs Forest* discovered their dryer had been leaking, causing damage to the surrounding walls and their bedroom. They made a claim for the damage, and complained to the IFSO Scheme when their insurer declined the claim.

The insurer had declined the claim on the basis that the damage was gradual and not covered by the policy's gradual damage extension. Additionally, it did not come within the sudden damage claim criteria.

Mr and Mrs Forest said they should be covered by the gradual damage extension. The cover was limited to "gradual physical damage ... resulting from water leaking or overflowing from any internal water system". The policy defined "internal water system" as "any water pipe, waste disposal pipe or water storage tank ...".

A report established that the cause of the leak arose from a blocked sump hole, and water could not enter the sump, leaking out the back panel of the dryer. This was gradually causing damage to the surrounding walls.

Accordingly, the insurer argued the dryer had been leaking through the back panel, rather than from a pipe or tank.

The IFSO Scheme found that Mr and Mrs Forest were unable to prove that the gradual damage extension applied or that the damage caused was sudden.

Complaint not upheld

Consumers need to remember to check dryers for a build-up of lint and clean them regularly to prevent fires and flooding.

* Names have been changed.

Accepted Complaints 2020 – 2021

The IFSO Scheme accepted **334** complaints for investigation and closed **323** complaints.

Our team of case managers apply mediation, negotiation, and conciliation to reach agreement where possible. The process is fair, transparent, and impartial.

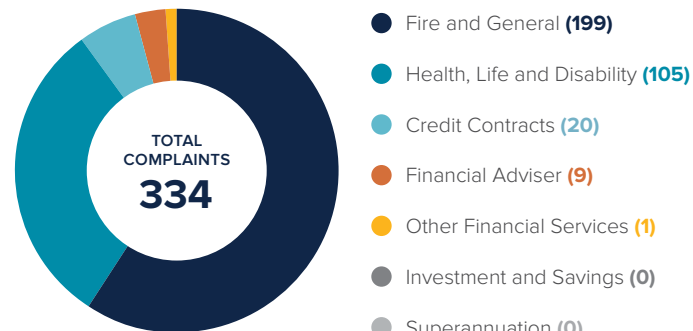


“ Your representative listened carefully to our concerns and clearly understood them. She gave us the opportunity to get back to her if we didn’t understand or wanted to add anything ”

TOP **5** complaint accepted issues

1. Policy exclusion
2. Scope of cover
3. Non-disclosure
4. Misselling / misleading information / misrepresentation
5. Premiums

Complaints accepted by sector



* A Complaint is accepted for consideration by the IFSO Scheme after it has been considered by a Participant and not resolved.

“ The IFSO representative I dealt with was patient in explaining the process and presented a summary for me to check and confirm I was satisfied with her understanding of the issues and events. ”

Complaint outcomes

In the year ending 30 June 2021, the IFSO Scheme closed a total of **323** complaints.



18%

Increase in accepted complaints from 2019/2020



8%

Growth in closed complaints on 2019/2020



63%

Of all complaints were resolved in less than 90 days



78.16 days

Was the average time to close complaints (up from 65.13 last year)

Outcomes for the closed complaints



- 257 were not upheld (80%)
- 42 were settled (13%)
- 16 were upheld (5%)
- 7 were partly upheld (2%)
- 1 was withdrawn (<0%)



34 complaints resulted in \$754,556

being paid by Participants to consumers (down from last year \$842,830).

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

There were a further four complaints where the amount paid to the consumer was not known when the file was closed (or a non-financial solution was applied).

Informing customers about complaints processes

Financial Service Providers are required to inform their customers about their complaints process and their IFSO Scheme membership.

42% of Complainants surveyed said they had received enough information from their provider about their internal complaints process, and only 41% 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 that there should be no barriers to access the IFSO Scheme.



Funeral cover premiums

A woman paid more in premiums than the funeral cover was worth. The IFSO Scheme holds concerns about funeral insurance and expects to see the risk of paying more than the sum insured notified to the consumer.

In May 2010, Mrs Parata* arranged funeral insurance cover for her husband, for a sum of \$20,000. In 2020, Mrs Parata contacted the insurer, because she believed she had paid more in premiums than the sum insured. She asked to stop or reduce the premiums.

The insurer told Mrs Parata that the premiums were payable until her husband turned 90, and there were no options to stop or reduce the premiums. Mrs Parata made a complaint to the IFSO Scheme. She said she was not told that her premiums could exceed the sum insured.

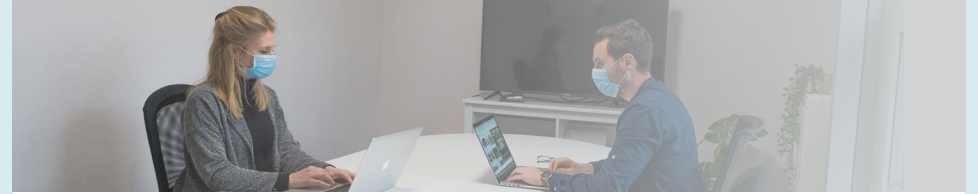
Because funeral insurance is a risk-based policy, the insurer takes the risk of paying a claim before the premiums paid are equal to the sum insured. On the other hand, the insured risks paying more in premiums than the sum insured. Because funeral insurance can have relatively low sums insured, the risk of premiums overtaking the sum insured increases as an insured person ages.

However, there was nothing in the policy to warn Mrs Parata of the risk.

The IFSO Scheme contacted the insurer, who offered to cancel the policy and refund all the premiums. Mrs Parata agreed to the offer.

Complaint settled

Consumers need to understand that, sometimes, they will pay more in premiums for funeral cover than the cover is worth. This often happens when funeral cover is held for a long time. It is not a savings product and, if premiums are not paid, the cover will usually lapse.



Impact of COVID-19 and redundancy

Mrs Hall* had payment protection insurance and made a claim to the insurer when her employer terminated her employment due to COVID-19.

The insurer declined the claim, on the basis that Mrs Hall had been made redundant due to the impact of COVID-19 and, therefore, the claim was excluded by the policy's state of emergency exclusion.

Mrs Hall complained her redundancy was caused by her employer restructuring, rather than COVID-19. She said New Zealand's borders were closed from March 2020 and she was made redundant in August 2020.

While the IFSO Scheme found that the policy provided cover for redundancy, it did not cover redundancy arising from "state of emergency". The policy did not define a "state of emergency"; however, one can be declared by the New Zealand Government under section 66 of the Civil Defence Emergency Management Act 2002.

The state of emergency was in place from 25 March to 13 May 2020, and Mrs Hall was made redundant in August 2020, when the state of emergency was no longer in place. While Mrs Hall was made redundant due to COVID-19, there was no evidence to suggest her redundancy arose from the state of emergency, which is what the exclusion required. The case manager discussed this with the insurer, and it agreed to pay the claim.

Complaint settled

Consumers should be aware that exclusions can take away cover in certain situations, and it is important to know when they will apply.

* Names have been changed.



Supporting our consumers

Recently, we've seen new regulation and controls for financial service providers, reflecting an ongoing global focus on conduct and culture.

An example of this is increased lender responsibilities aimed at protecting customers against substantial hardship. Additionally, there is a greater focus on the assistance and protection of vulnerable consumers. To support these changes, the IFSO Scheme has held several successful Participant webinars, with topics such as “Vulnerable Consumers” and “Plain Language and Communication Skills”, ensuring we are strengthening all points of engagement for both Participants and consumers.

Consumer awareness

Creating consumer awareness of our service is important. Without it, consumers may be unaware of their right to complain about a financial product or service when dissatisfied and unable to resolve an issue with their provider. Additionally, we require our Participants to communicate our free service to their customers.

The IFSO Scheme raises consumer awareness through numerous channels. One such channel is regular media releases that highlight real cases and commonly misunderstood issues. We add tips and advice to upskill our audience. This is an effective way for our service to be visible and understood in our communities.

Aside from consumer case studies, tips, and information on our website, the IFSO Scheme runs a consumer Facebook page and distributes community flyers.

We are pleased to see the lift in website engagement, largely due to our relaunched site and enhanced searchability. We continue to improve the site, with plans underway for more consumer content.

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, the Australian and NZ Institute of Insurance and Finance (ANZIIF), the Financial Services Council (FSC), the Financial Services Federation (FSF).

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

 [Linkedin.com/company/IFSO-scheme](https://www.linkedin.com/company/IFSO-scheme)



3,626

complaint enquiries received



1,941

calls to free phone
0800 888 202



52,564

website visits to
www.ifso.nz



60

media interviews,
responses and
releases

Supporting Participants

We continue to analyse and feedback data about complaints and complaint enquiries to Participants, helping to improve internal dispute processes and systems.

We give Participants insights about the causes of their complaints, helping them get better customer outcomes and improve their services. We provide webinars, toolkits and other practical information to help Participants understand and implement legislative and other changes that affect their business.

OUR MEMBERSHIP

50

insurers

1,889

financial advisers

662

financial advice providers

1,939

other financial service providers*

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

The 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



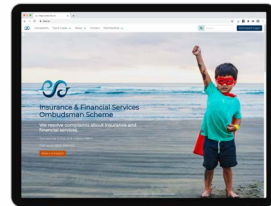
Insights and data



Financial capability

Online resources

In early 2021, we launched a new-look Participant Dashboard with revamped online toolkits, self-assessment tools, template libraries and an interactive complaint tool. We continue to release recent case studies and present live instructional webinars on issues and insights from our resolution process.



Professional development

To provide the appropriate complaint response, the industry requires well-trained professionals. We support our Participants with training resources, and regularly survey our Participants on their topics of interest, designing and providing engaging webinars to meet their professional development needs.



There are now over **50 webinars** accessible in our online Webinar Library, including; skills training in vulnerability and threats of harm, conversations with customers, skills for financial services, and technical training in general and personal insurance and lending.

“ I find the most useful webinars are those that give us practical insights into the new code, so we can relate this to real life clients and go through what could go wrong ”
– Financial Adviser



“ The sessions have been awesome, especially as it is difficult with a wide and varied audience from multiple company types ”

Coffee Time Webinars

Our Coffee Time webinars have continued to be very popular. The IFSO Scheme has presented 16 webinars in the Coffee Time series, with a total of over 2,700 registered Participants, and an average attendance of 170 Participants.

- Participants who said they had previously attended an IFSO Scheme webinar rose from 70% in June 2020 to **90%** by December 2020
- **89%** of webinar attendees reported the webinars were helpful and informative for their own roles.

Webinars presented include:

Financial capability for these times with Kendall Flutey, CEO Banqer

Your customers' perspective on your behaviour with Dr Ray McHale, CEO MyNextAdvice

Changes to consumer credit law 2021 with Lyn McMorran, Executive Director Financial Service Federation and Christina Gibson, the IFSO Scheme

New Advice Code: Treating clients fairly, Suitable Advice, Acting with Integrity with Karen Stevens and Andrew Gunn, the IFSO Scheme

“ There is so much happening for Financial Companies with the CCCFA changes, especially suitability, affordability, fee setting and Fit and Proper person certification. These topics are very useful! ”



Increasing premiums

Lucy and Michael* complained they couldn't afford their life insurance premiums, which had increased nearly three-fold.

Since turning 80, Michael's monthly premiums had gone from \$49 to \$190 per month. Lucy and Michael said they were misled about the increases when changing their insurance plan, asking for a refund of \$8,820 of the premiums paid.

The couple's insurer explained that, following Michael's 80th birthday, the policy's premium structure had changed to "rate for age". Their premium type was "Level to age 80", meaning premiums remained the same until Michael reached 80 years of age, after which the premium type converted to "Rate for Age". The insurer explained that, because Michael had turned 80, it could increase the premiums on the anniversary date.

However, the couple felt misled, saying their financial adviser never explained what "rate for age" would entail. Lucy said she distinctly remembered him saying they "wouldn't need to worry as the premiums would stay the same".

On obtaining the financial adviser's file, the insurer found that Lucy and Michael had wanted to replace the policy "to lower life cover costs as age rises." It found that, while the premiums had increased, they would have paid more overall if they had continued with their original policy.

The IFSO Scheme agreed the policy allowed the insurer to increase the premiums, and that there was insufficient evidence proving the couple were misled.

Complaint not upheld

Consumers need to understand that premiums can increase with age – it will depend on how the policy is set up; either "level" to a certain age, or "stepped" to increase premiums incrementally.



Off-roading vehicle claim

A man complained his insurer had an incorrect understanding of the term "off-roading". His claim had been declined after his vehicle stopped in the middle of a river.

In May 2020, Mr Vaai* was driving his vehicle in a social 4-wheel driving event up a river. During the crossing, the motor flooded, and the vehicle stopped working. Mr Vaai made a claim for the damage.

The insurer declined the claim, finding there was an exclusion for off-roading in Mr Vaai's policy, and the insurer believed that, because Mr Vaai was crossing the river in the vehicle, he was "off-roading". Mr Vaai disputed the decision, arguing that "off-roading" only applied to competitive events. He also stated that rivers were roads.

When interpreting a contract, the IFSO Scheme considers commercial common sense and the intention of the parties. It also considers definitions from the Shorter Oxford English Dictionary:

"off-road adjective used, for use, or taking place away from roads; on or for rough terrain..."

"off-roading driving over rough terrain, driving off-road vehicles, esp. as a sport".

The key factor in both definitions was "rough terrain". The dictionary definition of "road" can be quite broad:

"A path or way between different places, usu. one wide enough for vehicles as well as pedestrians and with a specially prepared surface. Also, the part of such a way intended for vehicles, the roadway ...".

Section 2 of the Land Transport Act 1998 defines a "road" as nearly all land accessible by the public, including "fords forming part of a road ...".

Having considered these definitions, the IFSO Scheme found that Mr Vaai was not driving on a route "intended for vehicles, the roadway..."; even if he was fording a river. Consequently, Mr Vaai was "off-roading", coming within the meaning of the policy's exclusion.

Complaint not upheld

It is important for consumers to understand what they are and are not covered for under their policies. Exclusions often take people by surprise.



Irresponsible lending

With existing personal loans of \$17,000 and a history of loan dishonours, a woman secured a further loan and was unable to meet the repayments. She complained to IFSO Scheme on grounds that the lender was irresponsible.

Mrs Clayton* had been a customer of the lender since 2002, over which time she had 27 loans. She currently had a consolidated loan totalling \$17,008.60. She borrowed an additional amount of \$665.58 from the lender to purchase clothes and pay for a trip. At the time, Mrs Clayton was a beneficiary with 3 grandchildren in her sole care. She had 3 bank balances of \$0 and she was making regular payments to a high-cost pay day loan provider and a “Shop now – pay later” business.

When the lender approved the last loan application, it relied on a budget surplus Mrs Clayton said she was receiving – \$200 a week in board. In 3 previous loan applications, Mrs Clayton had recorded inconsistent and considerably lower boarder income.

Mrs Clayton found the repayments very difficult. With the assistance of a representative, she complained to the IFSO Scheme. She said the lender had not met its obligations under the CCCFA and the Responsible Lending Code, which require a lender to make reasonable inquiries to be satisfied repayments can be made without the borrower suffering substantial hardship.

The lender confirmed the last loan was approved, because of the boarder income information provided.

The IFSO Scheme found that there were insufficient inquiries made into the boarder income and boarder income discrepancies, as well as Mrs Clayton’s ability to repay the loan. It took into consideration that Mrs Clayton could afford repayments of only \$85 a week.

Using that figure, the IFSO Scheme said Mrs Clayton could afford a maximum loan of \$13,000, less her repayments to date, totalling \$3,700. It also said the lender should pay Mrs Clayton \$880, representing 50% of the loan advance amount, leaving a loan amount of \$2,850 to be repaid.

The lender requested a review of the IFSO Scheme’s decision.

Reviewing the information, the IFSO Scheme said the budget used in the application was insufficient and did not record the expenses associated with the feeding, clothing and schooling of 3 children. It noted Mrs Clayton’s loan history showed dishonours and the refinance of a payday lender. It believed this, and the use of a payday lender, should have prompted further inquiries. Additionally, Mrs Clayton’s bank statements showed dishonours and her accounts were regularly overdrawn. The overall picture was not of someone in a stable financial situation.

Moreover, the lender had not met its obligations to check the boarder income. The IFSO Scheme said the less reliable a source of income is, the greater the need to make proper inquiries.

Complaint upheld

Lenders need to make proper inquiries to make sure they comply with their responsible lending requirements i.e., make all reasonable inquiries to be satisfied that repayments can be made without the borrower suffering substantial hardship.

* Names have been changed.



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