



FINANCIAL SERVICES FEDERATION

7 February 2025

Competition Policy Team
Building, Resources and Markets
Ministry of Business, Innovation and Employment
Wellington

competition.poilcy@mbie.govt.nz

Dear Madam/Sir,

Re: Promoting Competition in New Zealand – A Targeted Review of the Commerce Act 1986

The Financial Services Federation (“FSF”) is grateful to the Ministry of Business, Innovation and Employment (“MBIE”) for the opportunity to respond on behalf of our members to the consultation on promoting competition in New Zealand – A Targeted Review of the Commerce Act 1986 (“the Consultation”).

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

Introductory Comments

We would like to begin by expressing our disappointment in the short timeframe of the consultation. Expecting fully informed consultation to occur when the period runs between December and the 7th of February is misguided. As an industry body we rely on the ability to consult with our members before coming up with our overall position, placing consultations over the period of this consultation severely limits our ability to do this.

Despite this we would like to commend MBIE for a very well written and laid out consultation paper. The concepts were well explained and made sense in the context. For such a long and specific consultation, it was written incredibly well.

We note that our members had no opinion on many of the changes, so we have elected not to comment on them. Due to this we will be omitting the entire first half of the consultation (mergers).

Anti-competitive Behaviour

15. Has uncertainty regarding the application of the Commerce Act deterred arrangements that you consider to be beneficial? Please provide examples.

Yes, it has. As an example, there are certain things which would have massive consumer benefit but would be seen as collaborative behaviour. One example of this would be an industry led cap on commissions in relation to motor vehicles and add on insurance.

It would be impossible for one company to do this unilaterally as they would price themselves out of the market.

16. What are your views on whether further clarity could be provided in the Commerce Act to allow for classes of beneficial collaboration without risking breaching the Commerce Act?

We believe that further clarity would be incredibly useful for industry.

17. What are your views on the merits of possible regulatory options outlined in this paper to mitigate this issue?

We are very supportive of all of the options outlined in the paper.

18. If relevant, what do you consider should be the key design features of your preferred option to facilitate beneficial collaboration?

We submit that the aligning with the Australian prohibition is our preferred option.

Industry Codes

21. Do you consider that industry codes or rules could either:
- fill a gap in the competition regulation regime or
 - provide a more efficient and appropriate response to addressing sector-specific competition issues rather than developing primary legislation?
- Please provide reasons.

No, we do not. We believe that if the commission would like to address specific industries it needs to be through empowering legislation that has been developed through comprehensive consultation with industry.

Injunction Requirements

22. Should the injunctions powers in the Commerce Act be updated to allow the court to set performance requirements? Please provide reasons.

We submit that these powers do not need to be updated, and the status quo should be maintained.

Commercially Sensitive Information

23. Do you consider that the Commission effectively maintains the balance between protecting commercially sensitive information and meeting its legal obligations, including the principle of public availability? Please provide reasons or examples.

We submit that this hasn't been tested thoroughly yet. However there needs to be adequate safeguards to protect commercial information as information given to the Commission is accessible via OIA. This is very concerning to the private sector who may potentially need to hand over commercially sensitive information.

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

Yours sincerely,

Privacy of natural persons

Katie Rawlinson
Legal and Policy Manager
Financial Services Federation

Appendix A



FSF Membership List as at January 2025

Non-Bank Deposit Takers, Specialist Housing/Property Lenders, Credit-related Insurance Providers	Vehicle Lenders Finance Companies/ Leasing Providers	Finance Companies/ Diversified Lenders	Finance Companies/ Diversified Lenders contd. Insurance Premium Funders	Insurance Premium Funders contd/ Social Impact Lenders / Affiliate Members	Affiliate Members contd.
<u>Non-Bank Deposit Takers</u> Finance Direct Limited ➤ Lending Crowd General Finance (BB) Gold Band Finance (B+) ➤ Loan Co Mutual Credit Finance (B) <u>Credit Unions/Building Societies</u> First Credit Union (BB) Nelson Building Society (BB+) Police and Families Credit Union (BB+) <u>Specialist Housing/Property Lenders</u> Basecorp Finance Limited First Mortgage Managers Ltd. Liberty Financial Limited Pepper NZ Limited Resimac NZ Limited <u>Credit-related Insurance Providers</u> Protecta Insurance Provident Insurance Corporation Ltd	Auto Finance Direct Limited BMW Financial Services ➤ Mini ➤ Alpha Financial Services Community Financial Services Go Car Finance Ltd Honda Financial Services Kubota New Zealand Ltd Mercedes-Benz Financial Motor Trade Finance Nissan Financial Services NZ Ltd ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance Onyx Finance Limited Scania Finance NZ Limited Toyota Finance NZ ➤ Mazda Finance Yamaha Motor Finance <u>Leasing Providers</u> Custom Fleet Euro Rate Leasing Limited Fleet Partners NZ Ltd ORIX New Zealand SG Fleet	<u>Finance Companies & Diversified Lenders</u> AfterPay Avanti Finance ➤ Branded Financial Basalt Group Blackbird Finance Caterpillar Financial Services NZ Ltd Centracorp Finance 2000 DebtManagers Finance Now ➤ The Warehouse Financial Services ➤ SBS Insurance Future Finance Geneva Finance Harmony Humm Group Instant Finance ➤ Fair City ➤ My Finance John Deere Financial Latitude Financial Lifestyle Money NZ Ltd	Limelight Group Mainland Finance Limited Metro Finance Nectar NZ Limited NZ Finance Ltd Personal Loan Corporation Pioneer Finance Prospa NZ Ltd Speirs Finance Group (L &F) ➤ Speirs Finance ➤ Speirs Corporate & Leasing ➤ Yoogo Fleet Turners Automotive Group ➤ Autosure ➤ East Coast Credit ➤ Oxford Finance UDC Finance Limited Yes Finance Limited Zip Co NZ Finance Limited <u>Insurance Premium Funders</u> Arteva Funding NZ Ltd Elantis Premium Funding NZ Ltd Financial Synergy Limited	Hunter Premium Funding IQumulate Premium Funding Rothbury Instalment Services <u>Social Impact Lenders</u> Money Sweetspot Ltd <u>Affiliate Members</u> Alfa Financial Software American Express AML Solutions Limited Buddle Findlay Chapman Tripp Credisense Ltd Deloitte EY FinTech NZ Finssoft Happy Prime Limited IDCARE Ltd KPMG Loansmart Ltd Match me Money Ltd	Motor Trade Association Odessa Technology Inc. One Partner Limited PWC Sense Partners Simpson Western Summer Lawyers Symphonix <u>Credit Reporting, Debt Collection Agencies.</u> Centrix Credit Corp ➤ Baycorp ➤ Collection House Debtworks (NZ) Limited Equifax Gravity Credit Management Limited Illion Quadrant Group (NZ) Ltd Recoveries Corp NZ Ltd Total 99 members



FINANCIAL SERVICES FEDERATION (FSF)

THE NON-BANK FINANCE INDUSTRY SECTOR - 2024



49%



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

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

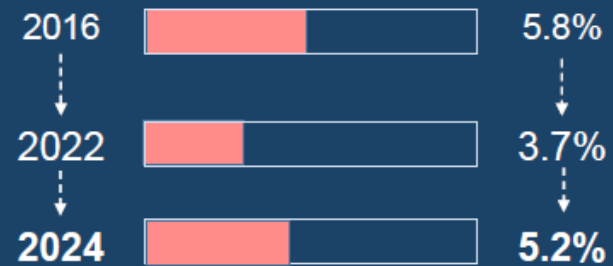
Only **6** dispute resolution complaints upheld or partially upheld from 1 April 2023 to 31 March 2024

Percent of Loan Requests Approved

48%



Percent of Loan Book in Arrears



KEY FACTS: THE NON-BANK FINANCE INDUSTRY SECTOR

FSF Members (as at 31 Mar 2024)

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

Bank Sector (as at 31 Mar 2024)

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

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

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

Insurance Credit Related (as at 31 Mar 2024)

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

Consumer Loans (as at 31 Mar 2024)

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

Total Value of Loans:

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

Average Value of Loan:

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

Business Loans (as at 31 Mar 2024)

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

Total Value of Loans:

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

Average Value of Loan:

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