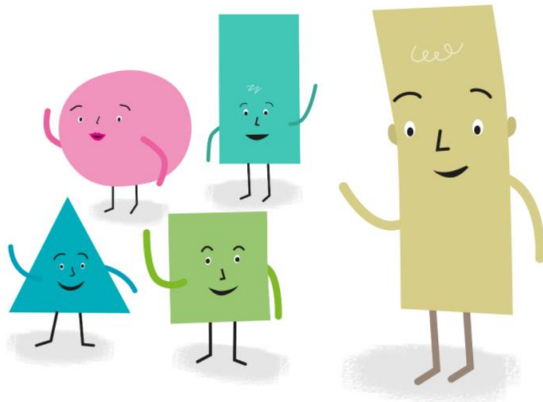


Banking Ombudsman Scheme

Complaints about consumer credit fees

**Kate Kenworthy, Senior Investigator
Banking Ombudsman Scheme**



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Common complaints about consumer credit fees

- Error with the fee, charge or rate.
- Fee, charge or rate is excessive or unfair.
- Fee, charge or rate is non-competitive.

<https://bankdashboard.bankomb.org.nz/>



Complaints about fees that we can't consider

The Banking Ombudsman Scheme's terms of reference

- 3. The scheme cannot consider a complaint about financial services a bank has provided, or failed to provide, if:
 - 3.7 The complaint is about a bank's charges for financial services or about its interest rates (*But the scheme can consider complaints alleging that a bank failed to disclose, or misrepresented, information about charges or interest rates, or incorrectly applied charges or interest rates, or breached any law or industry code.*)

The other financial dispute resolution schemes have similar rules.

Complaints about fees we can consider

Rule 3.7 does not prevent us from considering complaints about whether a bank:

- has charged the wrong fee
- failed to adequately disclose a fee
- reneged on a promise to waive fees (or any similar complaint)
- failed to provide a service for which a fee was charged
- misled a customer about an interest rate
- made a mistake in charging interest
- has charged an unreasonable fee on a consumer credit contract.



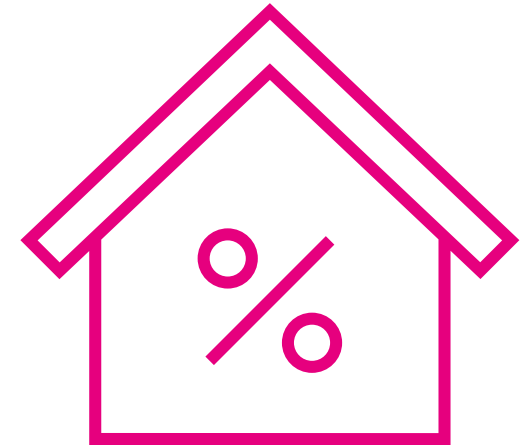
Early repayment fee complaints

Many complaints are not just about whether the fee complies with the Credit Contracts and Consumer Finance Act 2003, but about communication related to the fee, including misleading advice or ineffective communication.

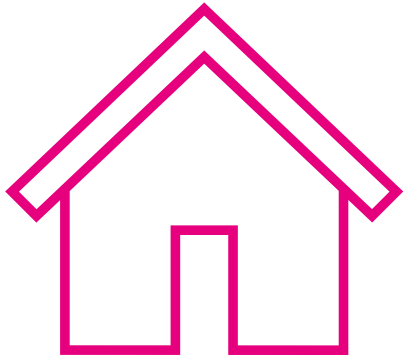
“They knew I was going to sell my house soon and never warned me about early repayment fees when I fixed the interest on my loan.”

“The bank told me there would only be a small administration fee to repay my loan early.”

“The bank told me I would only have to repay the cash contribution.”



Jenny and Mark



- Jenny and Mark had a home loan and fixed the interest rate on it for four years.
- A year later their circumstances changed and they had to sell their house.
- They were shocked to be charged an early repayment fee of almost \$7,000.
- They complained that the bank led them to believe the fee would only be \$3,000.

Jenny and Mark

The \$7,000 early repayment fee was clearly described and disclosed in the loan agreement – and it was a reasonable estimate of the bank's loss from the early repayment.

The issue for us to determine was whether the bank had communicated clearly and effectively when it provided the quote to Jenny and Mark....

Bank: *“We can’t calculate what a break fee will cost in the future – the loan agreement makes clear that there will be a charge and our quotes clearly state that they are valid for three days only.”*

Jenny and Mark: *“We were told the amount over the phone – we were never told it was only valid for three days.”*

What the bank told Jenny

“I’m really sorry to hear about your situation – you can absolutely repay the loan early. Let me just punch in some numbers to work out if there will be an early repayment fee.

OK. So because interest rates have dropped there will be a fee of \$3,000. Again, I am really sorry to hear about your situation.”



Jenny and Mark

The bank agreed they had not told Jenny that the quote of \$3,000 was only valid for three days.

They offered to refund the difference and Jenny and Mark accepted this offer.



Tips for avoiding complaints

Ensure all communication is clear and effective.

Consider implementing checklists for staff to ensure correct advice and warnings are provided.

Confirm verbal advice in writing.

Keep good notes of interactions.



Questions?



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