

## Dispute Resolution Schemes

### Introduction

Most financial service providers (FSPs) who provide a service to retail clients must belong to an approved dispute resolution scheme (DRS) or the government-established reserve (dispute resolution) scheme, under section 48 of the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (FSPA).

[View the legislation on the NZ Legislation website](#)

### Who doesn't have to join a dispute resolution scheme?

- FSPs who periodically issue or promote securities to the public, but for whom such issuing or promoting is not its principal business;
- FSPs who only provide services to wholesale clients (such as other businesses, professional investors, large companies, related companies and Crown agencies);
- FSPs who only provide services to eligible investors by way of a private offer of securities; and
- Financial advisers who provide advice on behalf of a business which is already a member of a dispute scheme, but only if they are obliged to join a scheme solely because of the work they do for that business.

The definition of who is a “wholesale client” is set out in section 49 of the FSPA. The rules are quite detailed and, rather than repeat them here, we recommend financial service providers read the section in its entirety.

FSPs who are unsure as to whether they need to join a dispute resolution scheme should seek legal advice.

FSPs must join a dispute resolution scheme before beginning their application for registration as a financial service provider.

### What are the approved dispute resolution schemes?

The Ministry of Consumer Affairs is responsible for approving DRS and establishing the reserve scheme. Three DRS have been approved:

[Financial Services Complaints Limited](#)

[Insurance & Savings Ombudsman](#)

[Financial Dispute Resolution Scheme \(FDR\)](#)

- FDR is the reserve scheme, operated by Dispute Resolution Services Limited.

[Banking Ombudsman](#)

- The Banking Ombudsman Scheme is open to banks and non-bank deposit-takers regulated by the Reserve Bank that have a minimum credit rating of BB.

### Why must FSPs join a DRS?

Membership in a DRS is mandatory for FSPs who provide a service to retail clients, because it provides consumers with an avenue for redress when a dispute arises with their financial service provider. Membership in a scheme is a pre-requisite for registration as an FSP.

### How does a dispute resolution scheme work?

Customers (individuals, or small organisations with 19 or less full time equivalent employees - FTEs) of a financial service provider can access the dispute resolution scheme the FSP belongs to, free of charge. However, the complainant must take their complaint to the FSP first. FSPs need to have some internal procedures to deal with complaints.

All dispute resolution schemes will have rules about the complaints process, what the FSP has to do, and what complaints they cover.

## Who is a retail client?

Retail clients, for the purpose of DRS membership, are people who aren't wholesale clients.

Wholesale clients are:

- people who receive a financial service in the course of their own business as an FSP or a professional investor;
- large companies;
- companies related to the FSP;
- crown agencies;
- in the case of a private offer of securities - relatives, close business associates, wealthy and habitual investors and others who are not considered to be members of the public under the Securities Act 1978; and
- eligible investors under the FSP Act who have been advised of the consequences of the FSP not being a member of a dispute resolution scheme and who agree to that.

[Read more about retail clients in the FSP Act on the NZ Legislation website](#)

## Fees

Two fees are required to be paid when joining to a Disputes Resolution Scheme (DRS).

One fee is required to be paid directly to the DRS scheme you are joining and an administration fee is also payable to the Financial Service Providers Register.

- [View fees information in our Help & Support section](#)

**Note** | Fees paid to join a DRS are invoiced by the DRS themselves.

## Related links

[Ministry of Consumer Affairs website for dispute resolution information](#)