



Submission

Of the

New Zealand Retailers Association

To the

Finance & Expenditure Committee

In respect of the

Financial Advisers Bill

April 2008

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Wellington

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Introduction

These submissions are presented by the New Zealand Retailers Association

Background

The Association is the largest trade association representing the retail industry in New Zealand.

Our membership includes the major supermarkets and general merchandise chains, specialised chains, traditional department stores and thousands of owner operators spread throughout the country.

We also act as the Secretariat for a variety of trade groups including plumbing materials suppliers, metal fastener distributors, pet shops, jewellers, equestrian and sports goods dealers and bicycle retailers.

Viewed statistically we represent an industry that has annual sales of over \$60b per annum and which employs 325,000 people (17% of the workforce) in some 49,000 outlets spread throughout the country.

General Submissions

The Association is generally supportive of the objectives of the Bill to provide for disclosure, competency and accountability of Financial Advisers and establishes a co-regulatory regime between the Securities Commission and industry-based approved professional bodies who will work together to create and monitor the standards.

However, the Association believes and is concerned that the current drafting of Part One of the Bill unintentionally captures retailers and retail staff as Financial Advisers providing what is deemed as Financial Advice, and we seek a specific exclusion to ensure that there is no doubt whatsoever that this group are not considered in that regard when providing information on hire purchase contracts as part of the completion of a sales transaction.

The Minister, Lianne Dalziel, in introducing the bill to the house made the following statement:

“However it is not the intention of this Bill to capture every person who discusses a financial matter with a client or offers a product or service that might have a financial implication.

Rather it aims to ensure that people providing financial advice in the course of their business or as their fulltime occupation are competent to do so. It is they who will be expected to be members of Approved Professional Bodies. I am very happy for the select committee to listen to the submissions and to report back to the House on a tightening of the definitions in order to achieve this objective. I have said that a bank teller who just describes the interest rate on a product or range of products offered by the bank, is not a financial adviser. And in section 6 of the Bill we have made that crystal clear by stating that "For the avoidance of doubt, the provision of information, whether orally or in writing, is not advice unless it is accompanied by a recommendation, an opinion or guidance."

There is a fine line between the definition of information and guidance given by retailers in regards to a hire purchase being considered as a form of payment for a product transaction and it is this provision of information that we are concerned may (and, we assume, unintentionally) be captured under this Bill.

To illustrate this very fine line, if we consider the simple scenario of the purchase of a significant household item such as a fridge. Mr Customer has decided on the product, and is asked by the salesperson how they would like to pay for the product. Payment options including hire purchase are explained to the customer. As interpreted by the draft of the bill to explain the product more fully, the salesperson will need to outline the benefits to the customer of interest free credit over cash or credit card and would therefore be in breach.

It is surely not the intent nor is it at all logical to expect every retail staff member who works in a store that provides hire purchase facilities to customers to be required to be trained as a financial adviser, and obtain and maintain membership of an approved professional body just to be able to complete a sale – a large and important part of their job description!

It is therefore the recommendation of the Association that the bill be amended to read:

Part 1

Section 6(1)(a)

By a person whose principle occupation is that of a teacher, journalist, retailer, retail employee, or State services employee, and the advice is given in the course of that person's principal occupation;

Conclusion

For the reasons outlined above we recommend that the meaning of advice in Part One of the Bill be amended under Section 6(1)(a) to

By a person whose principle occupation is that of a teacher, journalist, retailer, retail employee, or State services employee, and the advice is given in the course of that person's principal occupation;

Financial Advisers Bill

We wish to appear to speak to our submissions.

New Zealand Retailers Association
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