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Complaints: Ensuring consumers are treated fairly

This information sheet provides information and examples to help financial service providers licensed under the Financial Markets Conduct Act 2013 (providers) ensure consumers are treated fairly when they make a complaint. This includes ensuring consumers know how to make a complaint and informing consumers about the availability of dispute resolution schemes.

Overview

A cross-sector priority for the Financial Markets Authority – Te Mana Tātai Hokohoko (**FMA**) is ensuring consumers know how to make a complaint about their financial service provider and are treated fairly when things go wrong.

Our research¹ shows that many consumers are not confident about what steps they should take if they believe they have been treated unfairly by a provider.

We want to see increased consumer awareness of complaints processes and confidence in what actions to take, and providers having effective complaints processes in place. These objectives support some of our key outcomes², including that we have well-informed investors and consumers, there are fair services, and consumers receive quality ongoing service.

These outcomes align with our main statutory objective of promoting and facilitating the development of fair, efficient and transparent financial markets. When consumers know how to complain, they can protect their own interests and help to drive improvements in the provision of financial services by offering important insights into what is and isn't working well.

This information sheet does not create new legal obligations or replace existing obligations³. Instead, the information sheet has been developed to help providers improve outcomes for consumers. It provides information about managing complaints, including elements of good practice for building consumer awareness and using insights from complaints to improve processes and consumer outcomes. It also details what we may look for when we are supervising providers.

The examples in this information sheet are not exhaustive and are illustrative in nature. We believe that all providers can learn from these good practice examples.

¹ [Why don't consumers complain?](https://fma.govt.nz/why-dont-consumers-complain) (fma.govt.nz)

² [Outcomes-focused regulation](https://fma.govt.nz/outcomes-focused-regulation) (fma.govt.nz)

³ Some providers have legislative obligations relating to complaints. For example licensed financial institutions have obligations under [FMC Act 2013 section 446H](#), and licensed financial advice providers have obligations under [FMC Regulation 229F](#) (legislation.govt.nz) and [standard condition 2](#) (fma.govt.nz) imposed on their licence.

What is a complaint?

A complaint is an expression of dissatisfaction made to a provider or to a person engaged by the provider, relating to:

- the provider's financial services or products (including any services or products provided to consumers on the provider's behalf); or
- the complaints-handling process itself

where a response or resolution is explicitly or implicitly expected.

Consumers know how to make a complaint

A consumer or their representative wanting to make a complaint should be able to find information about the complaints process and lodge a complaint easily.

Be visible

Providers should clearly communicate to consumers that they can make a complaint if things go wrong, and how to complain. We recommend that providers use clear, direct language to ensure consumers feel their concerns will be taken seriously and addressed promptly. Providers should consider if complaints information is displayed prominently, is easily locatable and can be found in a range of places. This may include on the provider's website, via its app, through email correspondence or phone contact, or through its intermediaries.

Good practice

A non-bank deposit taker clearly outlines its complaints process on its website and as a matter of routine prominently in all other communications. Information about the complaints process is easy to find and explains the steps consumers can take to make a complaint. This provides consumers with confidence about how to make a complaint.

Be easy to complain to

The complaints process should be easy to navigate and offer multiple channels for consumers to make complaints, for example the provider's website, app, email, letter or phone call.

Making a complaint is an infrequent activity for most consumers, so having a simple process with good communication throughout is key. This should include providing an overview of the process, outlining what information needs to be supplied when making a complaint, and advising consumers that they have access to free and independent external dispute resolution along with the name and contact details of the dispute resolution scheme (DRS).

Some DRSs have certain referral requirements. Providers should understand and clearly explain these requirements and what information the consumer needs to provide to the DRS, to prevent them being referred back to the provider.

Providers should consider what support could be useful for consumers, such as presenting information in different formats or highlighting external services that offer assistance with making a complaint.

Good practice

A financial advice provider highlights its complaints process with a clear explanation of the steps that will be taken, timelines for when a consumer can expect acknowledgement of a complaint and what happens if more time is required, and the expected communication throughout the process. This builds trust with consumers through clear communication.

Be accessible

All staff should receive sufficient training to understand what is considered a complaint, the process for recording and responding to complaints, and how to identify where consumers may need additional assistance. We encourage providers to promote an organisational culture where staff willingly identify and record complaints regardless of whether the complaint relates to their role or not.

When a consumer makes a complaint, regardless of how it is made, this should be accepted and acknowledged by the provider. Consideration should be given to different types of consumers, including those in vulnerable circumstances, and how a provider can assist these consumers with their complaint.

Good practice

- A deposit taker has a guide to its complaints process in multiple languages and provides an option for those with impaired hearing, making the complaints process more accessible for their consumers.
- An insurer has a separate web page for consumers in vulnerable circumstances, providing resources and assistance to consumers who may need additional help, keeping its consumers well informed.

What if the complaint is about another provider, distributor or intermediary?

In some circumstances a provider may be acting as an intermediary or distributor for another firm. In this case, if the provider receives a consumer complaint directly, it can assist by sharing the complaint with the relevant party. It should be made clear to the consumer which provider is handling the complaint and which dispute resolution scheme they can access.

Consumers are treated fairly when things go wrong

When a consumer makes a complaint, they should be treated fairly throughout the process and not feel like they will be penalised for complaining.

Our 2022 Consumer Experience survey found that only 57% of complainants were satisfied with how their complaint was handled⁴.

Be fair

Treating consumers fairly when they make a complaint includes evaluating all relevant information promptly and without bias. Consumers should be given the opportunity to engage throughout the process and to provide more information where relevant.

Providers should ensure staff have appropriate authority, or ready access to those that do, to enable them to manage complaints and achieve a resolution for the consumer. This will reduce the need for consumers to go through multiple steps or people to resolve their complaint.

Providers should establish and maintain policies and procedures to identify and assist consumers who may be experiencing vulnerable circumstances throughout the complaints process.

Good practice

An insurer provides consumers with contact details of the staff member who will be handling their complaint, allowing them to contact that staff member directly. This gives confidence to consumers that they will be able to engage with the provider throughout the complaints process.

Be transparent

Providers should keep consumers up to date with the progress of their complaint. This includes keeping consumers informed of the status of their complaint if the situation is complex, requires third-party involvement, or may take longer to address than they would reasonably expect.

Consumers should also be made aware of what internal escalation processes the provider has in place, such as review of the complaint by senior staff.

There should be clear communication about the outcome of the complaint and details of what the consumer can do if they are not happy with the decision, including explaining the process of referral to the DRS to investigate and resolve the complaint.

Good practice

A manager of a managed investment scheme states that it will follow up with the consumer after the issue is resolved to ensure the consumer is satisfied with the outcome. This will give the provider confidence that the complaint has been appropriately addressed and increase consumer satisfaction.

⁴ [Why don't consumers complain?](https://fma.govt.nz/why-dont-consumers-complain/) (fma.govt.nz)

Responses and remediation are carried out in a timely manner to address consumer harm

Providers should address consumer complaints in a timely and effective manner, providing prompt remediation where appropriate. Investigating and addressing problems when they are found is integral to building trust with consumers and is an enduring focus for the FMA.

What is timely will depend on the nature and complexity of the complaint. Being effective doesn't always mean the consumer will be satisfied with the outcome, but does mean they are well informed and supported throughout the complaints process.

Be proactive

We encourage providers to look beyond complaints, and have systems and processes to review services and products to proactively identify issues that may require remediation, from a range of sources.

Providers should not rely solely on lag indicators, but also use lead indicators to provide insights and positive assurance about consumer outcomes and the complaints process. Providers should learn from previous issues, including instances of unfair treatment.

Boards should seek positive assurance from management about consumer outcomes and the complaints process, and not just rely on the absence of reported issues as an indication of fair treatment of consumers.

Learn from complaints

Providers should be able to demonstrate they have a transparent and effective complaints process, and show that lessons learned are integrated into business practices. Complaints should be used to identify trends that may be indicative of systemic issues. Ultimately, issue prevention and effective resolution contribute to better consumer outcomes.

An important consideration is how providers can use complaints data to help ensure their products and services are clear and understandable. Learnings from complaints should be used to improve policies, processes, systems and controls for products and services, consumer communications and marketing. In situations where there is a trend of consumers struggling to understand certain products or services offered, providers should reflect on how these could be simplified.

Good practice

- A manager of a managed investment scheme receives a complaint and initiates an investigation. During the investigation process, the manager identifies other consumers who were similarly affected. In response, the manager updates its internal processes to prevent reoccurrence and proactively communicates with all affected consumers. It also ensures all affected consumers receive appropriate remediation.
- A deposit taker receives multiple complaints about a certain change to its services. Upon review of these complaints, adjustments are made to help ensure quality ongoing service to consumers, and no further complaints are received.

What if it's a quick and easy fix?

When something can be resolved immediately the complaint should still be recorded and reported so the relevant provider is aware of the issue. Providers need to be aware of all issues to prevent reoccurrence. This also helps to identify other consumers who may have been affected by the issue but didn't notice or didn't make a complaint.

Supervision

The purpose of the FMA's supervisory activities is to determine how providers are complying with their obligations and to understand the outcomes that consumers and investors are experiencing. This contributes to our overall objective to promote and facilitate the development of fair, efficient, and transparent financial markets. We recognise that providers' obligations vary depending on the market service they offer. This list is intended to demonstrate potential areas of focus for the FMA.

The following areas may be examined as part of our supervision of providers:

- How well providers highlight consumers' rights to complain and provide information about the complaints process including the availability of dispute resolution schemes.
- Whether providers' processes make it easy for consumers to raise concerns and have these addressed effectively.
- How clear and straightforward the complaints process is.
- How staff training and organisational culture impacts providers' approach to receiving and resolving complaints.
- The quality of communication with consumers about the complaints process, including communication of expected timeframes.
- If the time taken to acknowledge and resolve complaints is reasonable.
- How providers manage complaints in a way that prevents further harm.
- How providers manage complaints relating to consumers in vulnerable circumstances.
- How providers use lead indicators to detect and prevent issues.
- How the board is provided with assurance that the complaints process is transparent and effective, and that lessons learned are integrated into business practices.