INSURANCE & FINANCIAL SERVICES
OMBUDSMAN SCHEME

Guide to Compensation

July 2024

Guide to Compensation

The IFSO Scheme Guide to Compensation explains our general approach to compensation and how we award it, based on our Terms of Reference. Each complaint is considered on its own facts and any compensation will be based on the particular circumstances of your complaint. If we make a decision in your favour, we will look at what needs to be done to fix what has happened. Any compensation provided will focus on putting you back in the position you would have been in if the event had not occurred.

Direct Compensation

We may require your provider to pay of a sum of money where you have suffered a direct financial loss as a result of the provider's conduct, or where you have had incurred specific expenses in making the complaint.

A direct loss might include:

- An insurance claim that was not paid;
- A charge or fee that did not apply, or that the provider was not able to charge you;
- Interest or fees you should not have been charged;
- A loss from being in the wrong investment.

Specific expenses may include having to get a lawyer or other professional involved to have the complaint properly considered by the provider, or having to pay for expert evidence to have a claim accepted.

Direct Compensation is capped at up to $500,000 (+ GST if any) for a lump sum claim and up to $2,730 (+ GST if any) per week for a claim for a product providing regular payments.

Special Compensation

In addition to or instead of Direct Compensation, we may require a provider to pay you Special Compensation for your:

- non-financial loss, stress, humiliation, and inconvenience; and/or
- loss of opportunity.

In either case, you must have suffered the loss as a result of the provider's conduct.

Special Compensation is capped at up to $10,000 (+ GST if any).

The IFSO Scheme's approach to Special Compensation

Dealing with complaints will commonly involve some stress or inconvenience. That means we will not automatically require the payment of Special Compensation, because we find a provider has done something wrong. We do not award it, because you have suffered some stress, humiliation or inconvenience.

We expect you to manage the normal degree of inconvenience experienced when a problem occurs and to take reasonable steps to manage the situation. Special Compensation will generally only be applied if you have experienced an unusual amount of stress, humiliation or inconvenience, in comparison to what we see in other cases.

Special Compensation is not designed to be a punishment and the full amount of Special Compensation available will not automatically be awarded. Where it is awarded, it is at a level that reflects what has happened. It will take into account what is fair to put right the impact on you, taking into account your particular circumstances. It will also take into account the extent of both the provider's and your responsibility for what has happened and/or the loss that has occurred. We expect both of you to take reasonable steps to lessen or mitigate your own losses.

Loss of opportunity

A loss of opportunity is when you lose an opportunity as a result of the provider's conduct which could have been advantageous to you and which no longer exists. For example, if you receive financial advice to invest in a fund that is not suitable for your needs and/or risk profile, you may lose the opportunity to benefit from investing in another fund at the same time, which was suitable to your needs and/or risk profile.

Interest

We may require your provider to pay you interest on any Direct Compensation and/or Special Compensation awarded. The Terms of Reference set out that interest must be calculated as set out in Schedule 2 of the Interest on Money Claims Act 2016.