



Te Uniana Whakanama Pirihimana

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POLICE HELPING POLICE

# Fair Conduct Programme Summary

for Police and Families Credit Union Incorporated (PCU)

July 2024

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## Introduction to PCU and its Fair Conduct Programme

### About PCU and how we support members

Police and Families Credit Union Incorporated (PCU) was established in 1974 and first registered on 11 February that year. PCU is a financial co-operative registered as a Credit Union, Incorporated, registered as a financial service provider, and licensed as a Non-Bank Deposit Taker.

PCU operates for the mutual benefit and assistance of its members and promotes thrift by helping members accumulate savings. This means that over time, PCU's mission is to enable the financial wellbeing of its members.

Membership is for a discrete group of New Zealanders, made up of NZ Police, NZ Defence Force, and their families. This means we understand our members and their financial needs well.

PCU is a simple business providing banking services to its members. It allows members to save and use their money through various transaction and savings accounts. It does so by offering debt securities through on-call and term share accounts. In turn, PCU uses member savings to provide consumer credit contracts such as home loans or personal loans to other members.

Members can be individuals from all age groups – from children and teenagers through to people in their retirement. Members may also be vulnerable for a variety of reasons, including temporary circumstances, so PCU abides by an Extra Care Member policy with appropriate processes in place to help members understand and use their products and services confidently. PCU does not offer products or services to business or trusts.

More information can be found in PCU's [Product Disclosure Statement](#).

### Distribution channels and incentives

Applications for membership and for products PCU provides are made directly via PCU's website, phone, email, or internet / mobile banking. PCU does not use intermediary distribution channels.

PCU complies with regulations regarding incentive payments because remuneration for PCU staff is base salary without at-risk pay, annual review of remuneration is not linked to sales targets, and no parties are incentivised through non-monetary means.

### What is a Fair Conduct Programme?

The Conduct of Financial Institutions Act (CoFI) amends the Financial Markets Conduct Act 2013 to ensure financial institutions treat consumers fairly. Financial institutions are required to apply for a licence under CoFI legislation and as part of this regime must develop and make publicly available a Fair Conduct Programme (FCP).

An FCP helps a financial institution abide by the fair conduct principle, and details the policies, processes, systems, and controls used to mitigate the risk of unfair conduct, or unfair outcomes for consumers as it provides products and services.

This document is our FCP in the form of a framework that outlines what members can expect regarding fair outcomes when they use PCU products and services, along with the collection of policies, processes, systems, and controls used to prevent unfair outcomes. This FCP reflects our ongoing commitment to serving our members and striving to always live up to the expectations and trust placed in us.

## Reviewing this FCP

This FCP is reviewed on an annual basis with oversight by and approval of the PCU Board of Directors. The review includes:

1. Understanding the effectiveness of the programme through the establishment and review of an FCP dashboard containing lead and lag indicators.
2. Identification of programme deficiencies through discussion and analysis (when required) of the underlying cause of lead and lag indicators including our incident and complaints registers.
3. Remediation of deficiencies identified as required, recorded formally on the Board Action Register.

## Roles and responsibilities

The following roles and responsibilities help PCU ensure fair conduct:

Role	Responsibilities and Accountabilities
Board of Directors	Governing body with oversight of PCU including its FCP. Accountable for the sustainable operation of PCU within the law, regulatory obligations, and PCU Rules.
Board Audit & Risk Committee	Governing body with oversight of risk management and reporting.
Chief Executive Officer	Accountable for the sustainable operation of PCU and accountable for the implementation of appropriate policies, processes, systems, and controls to ensure fair conduct. Accountable for overall compliance with the FCP on a day-to-day basis.
Chief Financial Officer	Responsible for effective financial management and the effective operation of PCU's risk register and incident reporting.
Manager Markets and Products	Responsible for the design and delivery of products and services that meet member needs.
Accounts and Compliance Officer	Responsible for the delivery of PCU's quality control, compliance, and internal audit functions.
Lending and Credit Risk Manager	Responsible for lending application assessment, loan advancement, and ensuring ongoing compliance with CCCFA and Responsible Lending Code.
Manager Member Services	Responsible for new membership applications, member services, including administration and account instructions, and ensuring day-to-day compliance with FMCA.
Manager Operations	Responsible for ensuring continuity of operation of PCU's systems and online services.

Role	Responsibilities and Accountabilities
All other PCU staff	Responsible for delivery of PCU’s products and services to members with appropriate fair conduct.

## Member groups

Member groups considered are for the purpose of this FCP are:

### Depositors

Members applying for and using on-call or term share accounts in the form of transaction accounts, savings accounts, or term deposits. This includes the use of mobile, internet or card services to transact on these accounts.

### Borrowers

Members applying for and using lending products, arranged overdrafts, personal loans, home loans, shared equity home loans, or reverse equity home loans.

### Extra Care

Members, whether depositors or borrowers, may from time-to-time require extra care due to a state of permanent or temporary vulnerability. While these members should expect the same fair conduct and fair outcomes as other members, they can also expect PCU to do more to ensure they are not disadvantaged in their interactions with PCU or in the use of their products and services due to any known vulnerability.

Resources: [Extra Care Policy](#), [Extra Care Training](#).

## Fair Conduct Principle

PCU abides by the fair conduct principle established in CoFI legislation, which means we strive to always treat our members fairly. By definition (Oxford dictionary), “fair” means impartial and just, without favouritism or discrimination. PCU will:

- pay due regard to members’ interests;
- act ethically, transparently, and in good faith;
- assist members to make informed decisions;
- ensure products and services are likely to meet the requirements and objectives of members (when viewed as a group or segmented groups); and
- not subject members to unfair pressure, tactics, or undue influence.

## Context for consideration of fair outcomes

As a result of PCU’s fair conduct, members should expect “fair outcomes” as they use PCU’s services and products. Members can expect products and services to:

- be fit for purpose, meeting the needs they were designed for;
- be easily and well understood by the group of members they were designed for;
- operate consistently in keeping with advertising and disclosures provided;
- not disadvantage members relative to the expectation they have in using the product

based on advertising and disclosures provided; and

- be useful and provide the intended benefit over the lifecycle of the product.

## Fair outcomes for members

The following table summarises the **fair outcomes** each group of members should expect. This FCP is designed to mitigate the risk of these outcomes not occurring.

Member group	Product / Service Use	Fair outcome expectations
All members (depositors & borrowers)	Design of product or service	PCU's products and services should be well designed with features and benefits that are fit-for-purpose for the members using them, catering for needs they'd typically have at different stages of life.
	Choosing a product	Members have the information they need to choose the right product via website, advertising, any promotional material or communications, and appropriate disclosure documents. Key disclosures are easily found and understood, and members are confident the product or service will meet their needs.
Depositors	Interest and fees	Members receive the interest payment they are entitled to, at the appropriate frequency.
	Term deposit maturity	When a term deposit matures, the members' savings are reinvested at an agreed and appropriate rate and term, and members' interest is paid or capitalised as agreed.
	Ancillary benefits	Members receive ancillary or non-financial benefits (like Xmas club vouchers or prize draw eligibility) as they expect and are entitled to.
	Payment facilities	Payment facilities (e.g. Mastercard Debit Card or online banking payments) are available and dependable to make purchases or payments as members need to.
	Secure services	Members' accounts, cards, and online facilities are secure, reducing the risk of fraud.
	Withdrawing funds and breaking term deposits	Members are not unduly penalised when needs change requiring withdrawal of funds. Penalties are in keeping with disclosure documents and not hidden in fine print.
Borrowers	Applying for a loan	Lending decision for loan application is in keeping with Credit Policy, CCCFA and Responsible Lending Code and accurately considers pertinent information.
	Advancing a loan	Loan disbursement occurs and the loan amount appropriately reflects the details agreed by both parties.
	Product fit	Members choose the product that best meets their lending needs, they understand it and know what to expect.

Member group	Product / Service Use	Fair outcome expectations
	Interest rate and security options	Members understand the implications of the interest rate and security settings for their personal loan. Members understand the interest rate that applies to their home loan or reverse equity loan and, if rates change between quoting and a fixed term starting, they understand when a different rate may apply, and the correct rate is applied to their loan.
	Repayments	The loan start date, repayment amounts, and repayment schedule are right first time and properly aligned to member expectations. Members understand their rights to adjust repayments on home loans and are not unduly penalised for doing so.
	Access to better rates	Member receives best applicable interest rate for the home loan products held, considering repayments made over time and changing LVR position.
	Costs associated with breaking fixed rates or reducing shared equity	Members can advance their financial position without incurring unnecessary or unfair costs (e.g. can appropriately reduce shared equity position on First Home Loan Together product or break a fixed rate term with fair and well understood costs).
	Ongoing access to credit	Regular redraw or top-up behaviour does not place member in substantial hardship.
	Full repayment and Security Discharge	Member funds are allocated appropriately to loan balances and excess funds to the appropriate account. Security used on the loan is discharged appropriately in accordance with credit contract. When PSS funds are paid out to the member, PCU loans with PSS security are paid down correctly, as expected and understood by the member.
Extra Care	Applies to all categories listed for Depositors and Borrowers	When vulnerability is notified by a member or recognised by PCU staff, extra care is taken to ensure the member understands – with appropriate time to absorb information provided – products available to meet their needs, key disclosures, implications of security taken, their obligations, and how their product works and meets their needs over time.



## Complaint resolution

We appreciate it when members give us feedback and we are grateful for the opportunity to resolve member dissatisfaction or complaints. PCU's [complaint process](#) is publicly available and includes information about our free independent dispute resolution service through Financial Services Complaints Limited.

### When unfair conduct or unfair member outcomes are identified

We value the trust placed in us by members, so unfair outcomes will be remedied appropriately. These may be notified to us via the complaint process, discovered by us in the day-to-day operation of our business, or discovered through our FCP.

Where unfair conduct by PCU has resulted in a member receiving material financial disadvantage, PCU will assess whether financial remediation is appropriate. PCU will always meet its legal and contractual obligations to members and will urgently remedy this when breaches are discovered.

### Fair Conduct Programme Training

FCP Training is provided to all staff at induction and refresher training is conducted on an annual basis, controlled by our risk management platform (Drova).

## Business Continuity and Operational Resilience

It's important that PCU has confidence in the supply of services to its members. Risks of major disruption due to an event are mitigated through its [Business Continuity Plan](#). Operational resilience is covered by its [Security Policy Set](#) and [Operational Risk Policy Set](#). These are reviewed by senior management and the Board on an annual basis.

## Record Keeping

PCU keeps records of the establishment, implementation, and maintenance of its FCP in the following ways:

1. PCU's FCP was established in 2024 through a process of engagement with and approval through PCU's Board.
2. An [engagement paper](#) regarding the approach PCU would take in the establishment of its FCP was discussed at PCU's Board meeting in June 2024. This confirms that PCU will take an outcomes-based approach to its programme, thereby establishing a framework for understanding the policies, processes, systems, and controls that mitigate the risk of unfair outcomes for members in the use of their products or services.
3. A [completed FCP](#) was discussed and approved by the Board in August 2024.
4. Senior management will present a review of FCP efficacy and compliance to the Board along with any proposed amendments to the FCP on an ongoing basis. A

dashboard of lead and lag indicators will be used for a discussion in this regard.

5. Change history of the FCP will be tracked within the FCP.

## Table of Acronyms and Terms

Acronym / Term	Description
AML/CFT	Anti-Money Laundering and Countering Financing of Terrorism Act
Ansarada	PCU's Risk Management Platform
AplyID	PCU's supplier of online identification process
BOSS	PCU's lending application system
CCCFA	Credit Contracts and Consumer Finance Act
Change Financial	PCU's supplier of card services
CoFI	Conduct of Financial Institutions Act
CRM	Customer Relationship Management platform
DocuSign	PCU's supplier of secure electronic signing services
FCP	Fair Conduct Programme
FHT	First Home Together (PCU's shared equity home loan product).
Financial Services Complaints Limited	PCU's supplier of independent dispute resolution services.
Finzsoft	PCU's supplier of banking platform including BOSS and G3
FMCA	Financial Markets Conduct Act
G3	PCU's banking services platform
IT	Information Technology
Layer3	PCU's external provider of IT support
LVR	Loan to Value Ratio
Mercer	Manager of the Police Superannuation Scheme
PCU	Police Credit Union or Police and Families Credit Union Incorporated
PPSR	Personal Property Security Register
PSS	Police Superannuation Scheme
Westpac	PCU's supplier of payment services