

# **Genworth Response to CPC Consultation Paper CP 54**

**22 July 2011**

## **Unsolicited Contact**

### **Consumer detriment**

We agree wholeheartedly with the Central Bank's commentary in Section 2 (iii) that the pressurised selling of financial products to consumers, under any circumstances, is of particular concern in light of the consumer detriment that can occur.

### **Enhanced consumer protection**

We fully support the Central Bank's efforts to enhance consumer protection through revision of the Code and, in particular, welcome proposed Rules 3.32 and 3.33 which require that consumers provide their informed written consent before they are contacted on an unsolicited basis. Indeed, we believe that this "opt-in" requirement will provide consumers with an important level of control over the way they interact with financial product providers.

### **Face to face vs. telephone contact**

With regard to proposed Rule 3.31, however, we believe that the Code should distinguish between unsolicited personal contact and unsolicited telephone contact. One reason we support such a distinction is that, in our view, there is a fundamental difference in the dynamics and in the controls which are in place between a face to face sale and a sale over the telephone. In the case of an unsolicited in person sale, a consumer may feel that they have nowhere that they can quickly and easily retreat from an overly intrusive or pushy salesperson. In clear contrast to that scenario, there is a physical barrier between the salesperson and consumer in a telephone conversation and the consumer has the ability to immediately end the discussion by hanging up the phone. Further, telephone sales are recorded and monitored, such that the actions of a sales agent are much more readily controlled.

### **Marketing only to existing customers of the regulated entity**

The proposal is to ban regulated entities from making unsolicited calls on (or in the case of telephone sales, to) individuals who are not existing customers. We think the line has been drawn in the wrong place here, bearing in mind that the goal is to minimize the risk of pressurised sales. As we noted above, there is much less risk of a pressurised sale where the contact is made by telephone, so there is a case for allowing unsolicited telephone canvassing and sales in any case.

Further, restricting unsolicited telephone contact to existing customers only will likely have the unintended consequence of, in effect, requiring the regulated entity

concerned to act as a consolidator, bundling together products to offer to their customers rather than, as now, working in partnership with specialist providers.

In our experience, many regulated entities who wish to reach out to their existing customers through telemarketing choose to partner with third-party firms because those firms can do the work cheaper and with greater efficiency and/or because, in the case of certain products, the regulated entity with the existing customer wants the subject matter expert on a particular product to be the one interacting with their customers. A good example of the later scenario would be in the context of offering payment protection insurance (PPI). With PPI, a bank who has made a personal, mortgage or other loan to a consumer may want the insurance company, the regulated entity that will be the one actually underwriting and servicing the PPI policy, to be the one to reach out to its customers who the bank feels may benefit from such coverage.

To recap, we fully support the provisions in proposed Rules 3.32 and 3.33 that the customer should have given informed consent in writing. We propose that these controls should remain but that the scope around unsolicited telephone contact should be widened slightly to include approaches made by commercial partners of the regulated entities concerned. Our suggestion for modifying proposed Rule 3.31 is therefore as follows:

*“3.31 A regulated entity may only make an unsolicited personal visit to a personal consumer who is an existing customer. A regulated entity may only make an unsolicited telephone call to a personal consumer who is: (i) an existing customer; or (ii) an existing customer of another regulated entity which has introduced the customer through a business lead or referral scheme to which the customer has given informed consent in writing.”*

Absent this amendment, the effect of proposed Rule 3.31 (as currently drafted) will be that all telemarketing campaigns will have to be made in the name of the regulated entity concerned, effectively “white labeling” the underlying products or services concerned. While such arrangements are essentially commercial and may or may not benefit the customers concerned, the de facto ban on any other arrangement will lead to competitive distortion and possibly higher prices, to the detriment of consumers without any appreciable increase in the protection of consumers from pressurised sales.