**EMBARGOED UNTIL 1.05pm, 15 October 2025**

**Financial Advice New Zealand responds to Westpac’s commission structure changes acknowledging industry engagement and advocacy**

Financial Advice New Zealand respects commercial decisions made by financial institutions but has an expectation that they engage in meaningful dialogue with the financial advice profession to avoid unintended consequences to competition, positive consumer outcomes, and access to advice.

Financial Advice New Zealand acknowledges this shift in Westpac’s recent engagement with the profession. The initial approach felt divisive; however, we acknowledge the move toward open engagement with advisers and aggregators and positively responding to raised concerns. Financial Advice New Zealand’s CEO Advice Forum played a vital role in advocating for a better deal for advisers, and we commend their efforts.

**Forced sale vs. grandfathering trail commission**

Despite improved dialogue, Financial Advice New Zealand is disappointed by Westpac’s decision to force the sale of trail commission books rather than grandfathering existing trail income. This approach is inconsistent with market practice, where trail commissions are typically allowed to run off over time. Westpac had a choice, and it opted for a model that is more financially beneficial to its balance sheet, reducing liabilities and improving its financial position. Citing the Commerce Commission’s focus on pricing competition as a reason for this, lacks merit.

**Impact on financial advice businesses**

Advisers continue to support clients well beyond the initial mortgage transaction. Many advisers maintain support teams and provide ongoing advice to clients, especially those who cannot or do not wish to switch lenders. As bank branches have closed, advisers have become the primary support channel for these clients. Advisers must now rethink their business models, potentially broadening the scope of advice or offering clients a choice between ongoing support with trail-paying lenders or limited support for two years post-refinance.

Trail commissions have long been an important ongoing revenue stream for financial advice businesses who maintain long-term relationships with their clients. These relationships don’t end at loan settlement—advisers continue to provide ongoing support, guidance, and advice services throughout the life of the loan.

Feedback we have received suggests that trail income can represent 25–50% of annual revenue for some firms, helping sustain their ability to deliver ongoing service for clients. The removal of this income threatens the viability of small and medium-sized advice businesses, many of which have built their value propositions around continuous client care. Importantly, the client needs do not disappear, they still require advice, especially during key financial events like refixing or restructuring. This decision risks reducing access to quality financial advice, particularly in underserved communities, by destabilising the adviser ecosystem that supports them.

**Misalignment and impact on consumers**

Globally, the financial advice profession is shifting away from upfront commissions and toward ongoing remuneration models that support long-term client engagement and fiduciary standards. Advice business models are now reflective of a broader move toward transparency, sustainability, and client-centric advice. Westpac’s removal of trail commissions runs counter to these global trends and in particular Australian banks, potentially discouraging the evolution of advice practices, and is at odds with their Australian-owned parent.

**Regulatory and market implications**

Under the FSLAA regime, advisers are required to review clients’ full financial positions during events like refixing. Without trail income, it becomes harder to sustainably support these regulatory obligations. Westpac’s move to digital refixing via apps, while efficient, risks reducing competition and limiting consumer choice, as financial advisers are best placed to offer impartial financial advice. Financial Advice New Zealand does, however, welcome Westpac’s adoption of Recommendation 10 of the Commerce Commission’s market study by moving to a month-by-month pro-rata clawback structure. This is a positive step toward fairer consumer treatment.

**Further action**

While we appreciate Westpac’s willingness to listen to feedback, it is disappointing that a significant bank lender will no longer recognise the ongoing time and cost required of advisers to service customers beyond the initial advice.

Financial Advice New Zealand urges all lenders to recognise the value of ongoing advice and ensure remuneration models reflect the real work advisers do. We remain committed to working with lenders, through our CEO Advice Forum to ensure that sustainable, client-focused advice businesses can thrive in New Zealand’s evolving advice landscape.

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**About Financial Advice New Zealand:** Financial Advice New Zealand is the largest financial adviser-representative professional body for Financial Advisers and Financial Advice Providers (FAPs) in New Zealand. Our members provide trusted advice to consumers across financial planning and investments, mortgages and lending, and life, disability & health insurance, which ultimately helps Kiwis grow, manage, and protect their wealth.

Today, Financial Advice New Zealand is a vibrant, innovative association, where the underlying driver of policy is that great advice transforms lives. We promote the highest professional standards for financial advice, so more New Zealanders have the confidence to actively seek quality financial advice to improve their financial health, wealth, and well-being.