

7 September 2023

Submitted via: marketstudies@comcom.govt.nz

Market study into personal banking team
Commerce Commission
Wellington

Re: Market study into personal banking services preliminary issues paper

All whānau should have fair access to the market provided services which are essential to their health, wellbeing and social participation. A market study focused on competition should explore whether competition is delivering choice and low prices to all.

FinCap welcomes the opportunity to comment on the Commerce Commission's *Market study into personal services preliminary issues paper (Issues paper)*. We have had capacity constraints limiting our time to respond to the issues paper so the below feedback mainly relates to question 15; *How well is competition for personal banking services working for different population groups in New Zealand? Why/why not?*

Our highest priority in providing feedback is sharing that financial mentors report that some whānau have to go to great lengths to, or cannot, obtain a bank account in Aotearoa. Common related circumstances are that a person is going through an insolvency or leaving prison. This is further evidenced by reports and articles released by industry, independent and community stakeholders.¹ We are also aware of live work by members of the Council of Financial Regulators which might explore this issue's impact on financial inclusion in Aotearoa.

Without practical and timely access to a bank account whānau can face severe financial exclusion or be put at significant risk of economic harm or other forms of fraud. This can arise because a person is unable to receive government administered or wages income. Alternatively, they might receive income through another person's account who can easily constrain their access to money.

Without timely access to a transaction account there can be far more logistics involved in paying bills and higher risk of incurring late fees or penalty interest that contribute to debt spirals. Whānau can also have limited ability to shop online and keep up with others in their community. The reports we have footnoted go into many other consequences of limited access to banking services as well as more detail on these issues that we have touched on.

The issues paper also rightly identifies that attention should be paid to how banks exiting or limiting hours in community sees some whānau incur great cost to access essential banking services or any benefits of competition. These issues are compounded by digital exclusion issues. We at times hear from financial mentors that feel that bank call centre staff have referred someone for support without

¹ These include:

- a report commissioned by Westpac available here: <https://www.westpac.co.nz/personal/life-money/navigating-trying-times/the-westpac-nz-access-to-banking-in-aotearoa-report/>
- this report on access to banking for prisoners: <https://www.fincap.org.nz/wp-content/uploads/2023/07/FinCap-Paying-the-Price-Final-25-June.pdf>

first seeing what the bank could do to help. Another issue is that financial mentors in rural areas have told us they have at times resorted to driving whānau they are supporting over 100km to branches to overcome barriers to access for banking. This spectrum of examples of interventions demonstrates how the issues with a lack of competition, or any physical presence of banks in some communities can lead to increased costs for already strained community services as well as whānau who are least able to cover extra costs.

Beyond some being unbanked, FinCap also hears that many more whānau have limited options for access to transaction accounts and credit. We would suspect a thorough market study to establish there is undesirable price discrimination as described elsewhere as a 'poverty premium' in many essential services markets in Aotearoa. Our upcoming 'Voices' data report might help the Commerce Commission see how the whānau which financial mentors support don't access lower cost credit as often as others. This could be seen as market failure where accessing credit at lower interest rates could reduce the challenges to the financial wellbeing of these whānau. The *Voices* report contains demographic breakdowns of financial positions and we may be able to do further analysis if helpful to this market study where we have time.

FinCap has also heard anecdotes from financial mentors conveying that whānau began a debt spiral of increasingly unserviceable credit with an unexpected overdraft from a bank that had significant interest and fees. Banks' historic credit cards lending practices that created debts which are still being paid today are also pointed to as a contributing factor to increased financial exclusion for whānau by financial mentors. We would welcome working with the Commerce Commission to facilitate further follow up on these front-line observations from community workers.

We recommend the Commerce Commission explore the issues we have raised above in the market study. Competition should deliver choice and low prices when whānau are facing financial wellbeing challenges and need these most.

About FinCap

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 190 local, free financial mentoring services across Aotearoa. These services supported 50,000 whānau facing financial hardship in 2022. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

Please contact Senior Policy Advisor Jake Lilley on [REDACTED] to discuss any aspect of this submission further.

Ngā mihi,

[REDACTED]

Ruth Smithers
Chief Executive
FinCap