



National Office
Level 10, 175 Victoria St
Wellington 6011
PO Box 12-021, Wellington 6144
New Zealand
Phone 04 473 5524 OR 0800 256 467
e-mail: enquiries@ruralwomennz.nz
www.ruralwomennz.nz

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Market Study into Personal Banking Services
Commerce Commission
marketstudies@comcom.govt.nz

RURAL WOMEN NEW ZEALAND (INC) SUBMISSION

Market Study into Personal Banking Services – Preliminary Issues Paper

Introduction

Rural Women New Zealand (RWNZ) welcomes the opportunity to provide a submission to the Commerce Commission on the Market study into personal banking services – Preliminary Issues paper.

Comments

Our submission relates to the following sections of the preliminary issues paper:

- Personal banking services are important for New Zealanders
- Global trends toward digital innovation and digital disruption
- Factors affecting consumers' ability to search for and switch to alternative providers
- Impediments to innovation in the personal banking sector

RWNZ has chosen to provide views beyond the questions as our key concerns cross multiple topics and do not fit neatly into the proposed lines of response.

Key concerns for RWNZ and our members relate to:

1. Closure of bank branches
2. Connectivity for digital services

Closure of bank branches

1. The preliminary issues paper identifies that between 2010 and 2020 around 366 bank branches closed nationwide. In addition, the KPMG report *Financial Institutions Performance Survey (FIPS) Banks: Review of 2022* found there were 144 fewer retail bank branches in New Zealand in 2021 compared to 2020¹.
2. Alongside the Citizens Advice Bureau, we have voiced concerns that sectors of the community, such as rural communities along with the elderly and disabled, are being disadvantaged by the closure of face-to-face services.
3. RWNZ believes that the closure of bank branches impact or potentially prevent rural communities from accessing the personal banking services they need. The most obvious is the distance rural consumers may be from the nearest bank branch, necessitating additional travel costs and time if this can be afforded.
4. Bank branches (like post offices) are a key piece of community 'fabric' especially in rural areas. A further consequence of removing such facilities is undermining the viability of small towns in Aotearoa New Zealand. Consumers forced to travel out of town for banking services will take their purchasing power there also potentially leading to the closure of local businesses.
5. Closures also create a significant impediment or barrier for rural consumers to search and switch between personal banking services. Access to face-to-face services is an important criterion in comparing service options and potentially for consumers in selecting a transaction account that best meets their needs.
6. Affordability to access personal banking services is an underlying issue for rural communities. There is often significant cost involved for rural consumers travelling from remote locations – both in terms of fuel and time away from work.
7. We support the extension and expansion of the New Zealand Bankers' Association (NZBA) and participating banks regional banking hubs trial. As noted in the paper, this initiative highlights the ongoing importance of access to physical banking. We note that feedback we have received to date is that the hubs are yet to demonstrate that they are fit for purpose as a replacement for physical bank branches.

¹ <https://kpmg.com/nz/en/home/insights/2023/03/fips-banks-review-of-2022.html>

Refer to Graph 4 on page 14

Connectivity for digital services

8. The global trend towards digital innovation and digital disruption is to be commended for the potential benefits of enhanced efficiency, supply diversity, and financial inclusion however connectivity to achieve this remains an issue in many rural communities.
9. We agree with the comments regarding innovations which occur may not benefit banks' rural customers and may actually disenfranchise them in the case of digitisation. Internet and mobile coverage, reliability and capacity are not consistent across the country. These inconsistencies put New Zealanders in rural areas at a disadvantage, particularly where they limit (and potentially discourage) their participation. Moves to digitise personal banking services will need to take account of connectivity issues for rural consumers to ensure they are not excluded by these changes.
10. Video calls rely on the relevant technology being effective and functioning for the person operating the system. The banking sector needs to recognise that rural consumers, along with the elderly and disabled, may have difficulty interacting across the 'digital divide'.
11. The expansion and extension of regional banking hubs has the potential to provide consumers with a place of reliable connectivity and therefore be a valuable alternative for those who do not have this service available in their home.
12. We note that the use of digital services may also face some resistance due to privacy concerns and the lack of a personal connection with the service provider on the other side of the screen.

Closing

Maintaining adequate access to personal banking services in rural communities is fundamental to promoting outcomes that benefit Aotearoa New Zealand consumers over the long term.

RWNZ considers that rural consumers face impediments or barriers to searching and switching between personal banking services due to:

- a) branch closures (necessitating travel to the nearest main centre and time away from work to undertake this); and
- b) internet reliability and access (connectivity and coverage).

RWNZ asks that the Commerce Commission consider the closure of bank branches and the reliance on digital connectivity as underlying factors for rural consumers and communities in its study into personal banking services.

Thank you for the opportunity to provide input. We look forward to further engagement as the market study into personal banking services is undertaken.

About Rural Women New Zealand

Rural Women New Zealand (RWNZ) is a not-for-profit, member-based organisation that reaches into all rural communities to provide a credible and respected voice on rural environment, health, education, technology, business and social issues.

RWNZ strives to ensure that all rural residents, workers and families have equitable access to services, inequalities are addressed by Government, and the wellbeing of rural communities is considered from the beginning of all policy and legislative development.

RWNZ is affiliated to the Associated Country Women of the World and as such upholds all United Nations, International Labor Organisation (ILO), Food and Agriculture Organisation (FAO) and World Health Organisation (WHO) conventions and outcome statements as they relate to women and rural women in particular.

Nāku iti noa, nā



Gabrielle O'Brien
Chief Executive