Dunedin Budget Advisory Service 1st floor Dunedin Community House 43 Princes Street Dunedin 9016



4th October 2023

Thank you for the opportunity to provide our feedback into the market study of personal banking services submissions.

Dunedin Budget Advisory Service (DBAS) is a free and confidential service to Ōtepoti and beyond in Building Financial Capability. DBAS has been operating for over 50 years.

We support the submission made by FinCap and would like to give some colour on their following points:

Access to a bank account:

This restriction for many we work with comes in different forms –

1. No ID.

In our experience, there are various reasons for a person not having ID. Often this is due to having just been released from prison.

In this instance, a client is vulnerable to economic harm from others as W&I need a bank account number to put their benefit into. As such, the client must use someone elses bank account until such time they can get photo ID. This can often take weeks.

Obtaining photo ID for an ex prisoner is not always straightforward. If that person is trespassed from W&I, the wait for phone appointments can take days. The process takes even longer if the person is also trespassed from banks. The ex-prisoner seems set up to fail immediately upon their release.

We understand that Westpac is working on a Pilot alongside Corrections on this mahi, however we firmly believe all banks should be working together on this important work.

2. Negative credit rating

When a person has a bad credit history this impacts their choices on whom they can bank with. It takes away their freedom to choose, which in turn, creates a power imbalance between them and their bank.

3. No fixed abode

Banks require proof of address in order for a customer to obtain a bank account. Many people we work with do not have a fixed address, ie, they live in their car, couch surf, are rough sleepers, etc. For these reasons they do not have a current utility bill or tenancy agreement in their name. It is impossible for them to provide the necessary documentation to the banks.

4. Insolvency

When we assist clients to go insolvent, one of the first questions we ask them is who they bank with. We know there are only 2 banks who will keep or take on, insolvent customers.

We find this carte blanche attitude from the other major banks shameful.

Insolvency is a last resort and along with financial benefits and consequences, it also has the same for mental health.

DBAS has some clients who cannot get another bank account once insolvent. In these instances the persons income has needed to be put into someone's account. This leaves the person concerned wide open to economic harm and the person receiving the income into their bank account, open to mistrust and temptation. They also then must take on the role of financier instead of being just a family member, friend or employer.

For one of the 2 banks who do take on or keep, insolvent customers, they penalise the customer even further by taking away the customers' debit card. This leaves the customer with only an EFTPOS card which prevents all forms of online transactions, even grocery shopping.

5. Digital exclusion

There was quite a bit of talk around this widespread issue a while ago and now we don't seem to hear much about it. DBAS can assure you the problem has not gone away.

Digital exclusion happens for a variety of reasons. The following ones are the types we deal with most:

- Age
- Location
- Abuse

There is no easy fix for digital exclusion, but we encourage banks to fund community services to assist the banks own customers overcome this barrier for many. We do note this barrier has been increased recently due to the banks themselves closing many branches. The branches which are still in operation now seem to be operating on reduced hours and less staff available.

We are disappointed there has been no firm commitment by banks to address the community needs in this area. At the time of writing a kaimahi of DBAS is still waiting for a community banking spokesperson to respond to their email after 2 weeks.

Overdraft

In our opinion, we see an unarranged overdraft as easy money for the banks, with the interest and charges these incur.

If a customer does not have enough money in their account to pay for a transaction, that transaction should not be allowed to happen.

We often hear from our clients who are trying to pay off their overdraft at a small amount each pay, that the bank does not automatically reduce the overdraft, even though this is what the client has asked for. Instead, the customer must call the bank (don't get us started on the wait times for this) and have their overdraft reduced each time. This seems to be encouraging the customer to not only stay in debt with the bank and incur more fees, but in fact, create a debt spiral with the bank.

Poverty Premium

We have many examples of clients who are charged more in fees, charges and interest than other banking customers.

This is due to the fact that banks see these potential customers as too high risk and will not allow them to access the safest tier one credit available on the market.

For example, one of our clients could not get a mortgage with a major bank. Their mortgage broker directed them to a second-tier finance company. The client was given a choice to pay a much higher interest rate or not buy a house. Of course, the client accepted. Because the finance company doesn't offer a fixed term rate for interest rates, this clients' interest rate is still increasing. Also interesting to note, was the finance company adhered to the CCCFA.

Another aspect of poverty premium we are increasingly witnessing is banks directing some of their customers to a financial mentoring service with the express purpose of the financial mentor assisting the banks' customer to withdraw their kiwisaver under hardship to repay the banks' own credit product which has fallen into arrears.

This is not only abhorrent behaviour in our view, but also unethical and completely against the customers best financial interests.

Many thanks,			

We would welcome the opportunity to comment further if this required.

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