

### QUESTIONS from the Market Study into Personal Banking Services

The Average Kiwi house hold will pay somewhere between \$450,000 to \$1,m dollars in excess bank margins to Aussie owned banks during their lifetime as a consequence of an egregious Oligopoly which is gouging kiwis consumers in personal banking .

Failed legislation in the 1980s & early 90s caused NZ savings banks to be sold for virtually nothing to Aussies, the results are haunting kiwi regulators 30 years later . This policy failure has been turbo charged by the Kiwi disease of allowing mergers that restrict competition like the National Bank ANZ 2003 take over.

New Zealand is so far behind the OECD in banking competition , this study is well overdue , this correctly mandated Market Study professionally completed by the Commission will expose many uncomfortable truths for policy makers ,Lobbyists , Politicians, Government officials and Bankers .

We urge the Commerce Commission to be brave, and commence the journey of fixing broken markets by implementing serious structural remedies, not trivial regulatory blurb

We Commend to the Commission the analysis of the breakup of the ANZ and ASB and a sale of ½ of these business to new owners who will deliver benefits to consumers .

### Monopoly Watch Submission, Answers and Discussion items

***Q1. Do you agree with our description of the structure of the personal banking sector? If not, please explain.***

Our position is more attention needs to be given to bank treasury operations and their ease in which they can transfer price deposits and loans, and window dress the structure of the bank's costs and expenses. Its very difficult to look at individual banking units without studying the interplay with other bank operating units.

Of course we are discussing personal banking, but all the rating agency reports on the NZ banks discuss the level of off shore funding which supports the domestic mortgage book. (As a consequence treasury dealing room activities of the bank come into question.)

We believe there was not enough detail on *the "Trustee Banks Restructuring Act of 1988"* and the takeover of National Bank by ANZ in 2003, both of these regretful transaction created the comment in 112 on page 56 of the ComCom PIP "**with an upward trend of profitability of the past 3 decades.**" .To help the ComCom tease out a practical fixing of the market , we need to look at what the market structure was before Trustee Savings banks were sold to trading banks.

**Q1.1 Are there any other key participants or stakeholders that play a major role in the sector that we have not mentioned in this paper? If so, please identify them and explain their role.**

***The Trustees of the community trusts*** which manage endowments because of the sale of community banks to the Australian Cartels. These groups should be consulted, with their view on how trustee and savings banks may be re commenced, to assist in developing a solution.

***Educational groups must be consulted as stakeholders***, With the 100% ownership by Australian controlled groups, the education of New Zealand bankers is being diluted. CFA, INFINZ and Universities , now understand that the banks are diluting the intellect of the senior NZ bankers , as a consequence of all the senior jobs taking place in Australia and the low level of credit discretion in NZ ( for Unrated names ) . Of course, the regulator does want NZ banks to be able to operate independently but this does not mean more senior jobs in Australia, and more important decisions in Australia.

**Bank of Mum and Dad** , needs to be studied and consulted by survey , it's a powerful force in consumer banking in NZ , estimated to be the 5<sup>th</sup> largest ( including inter family debt ) . But it camouflages some of the core numbers associated with appetite for residential real estate debt. We urge the Commission to research basic numbers and concepts during the study.

**Rating Agencies research need to be consulted.** They publish some weird and wonderful comments about their clients' banks. Notably

- 1) Standard and Poor's
- 2) Moody's
- 3) Fitch Ratings

Our favourite quoted comments from the Ratings agency reports are

- 1) *"ANZ Market Position affords it a reasonable degree of pricing power " S& P Oct 2022*
- 2) *In our view the industry structure is an oligopoly dominated by 4 large banks ( Standard Poor's 2022 )*

*Lengthening the term of debt ( there is a relative reliance on wholesale funding particularly from Offshore ( Moody's talking about ANZ )*

We urge the Commission to buy & secure all the last 5 years credit reports on NZ to illustrate 3<sup>rd</sup> party verification of the profitability and lovely market structure. We urge the commission to venture forward into future and read not just the rating reports on the NZ banks during this study but also international reports on Swedish, Danish , Irish , Norwegian , Finish , Slovakian and Belgian banks . to understand how consumers in those countries of similar size are substantially better off.

We urge the Commission to publish in the draft report their own calculations which show the difference between what Kiwi consumers pay on mortgages versus OECD best practise. The MWNZ numbers for a 30 yr mortgage for a 669,000k \$NZD mortgage at 150bp differential, which is invested in Kiwi Saver at 7% ,means that the difference in mortgage rates for a kiwi consumer assuming the difference went into KiwiSaver is approximately \$520,155 in future value terms at a 5% KiwiSaver reinvestment rate , and approx. \$ 940,00k in cash NPV terms at a 7.5% reinvestment rate compounded annually .

Note that the ANZ , Westpac , BNZ/NAB & CBA/ASB have correspondent bankers fly around the work and skite on how profitable they are and the moat around their business units as they negotiate “ interbank credit lines for their treasury units.”

**Consumer NZ:** we urge the ComCom to drive sophisticated consumer advocacy in market studies , and work to recommend that groups like Consumer NZ get proper funding to provide consumer facing advocacy and international best practices research to balance the Commission's work in fighting off really well financed Legal and vested interest economists. Its time for the board of Consumer NZ to resign and the organisation to be reinvigorated for market study performances which can fight off the swamp of vested interests lobbying to protect cosy market structures .

Too often in Market Studies the Commission is squashed by incumbents, rather than figuring out how to fix the broken markets .

**Productivity Commission:** It would be really constructive to have the Productivity Commission submit on the productivity uplift from improved competition, this was particularly the case with the Building materials study , but also banking where the ease of changing banks reduces huge amounts of administrative time and money. Where is the Productivity Commission on market structure matters – its advocacy is absolutely crucial?

**Transparency International:** It's the position of MWNZ that there is integrity problems all over NZ as a consequence of 2 degrees of separation rather than 6 , as a consequence of some participation would be useful particularly in banking where the countries best financed lobby group exists and many cabinet ministers get employment .We advocate for all government funding to end to Transparency and its time for their entire board to resign .

**Q1.2 What are useful measures of concentration/market share within the personal banking sector? Please describe the measures and explain your reasoning.**

We urge the Commission to do geographic analysis of market shares, particularly given the acquisition of ASB by CBA and its Auckland dominance , and Westpac's purchase of a portfolio of Trustee Savings banks in the Tauranga and HB regions .

**Q2, Do you agree with our description of the regulatory environment for the personal banking sector? If not, please explain.**

Its noteworthy the RBNZ has determined than the NZ banks need to have control over their own infrastructure , this means that the competition remedy of a split of the banks is easier ( ie MWNZ will submit that ANZ should be broken up later in the submission process )

There are 3<sup>rd</sup> party agencies that substantially impact Banks they are

- 1) **ESG ratings** ( See Rating agencies comments , that NZ banks don't have ESG restrictions on them )
- 2) **Rating agencies** ( S& P , Fitch and Moody's, impact the cost of funds and net interest margin)
- 3) **Institutional Equity Research Analysts and Investors** ( It matters what Capital , Templeton, Fidelity , Blackrock etc are thinking and doing

**Q3 Please describe any other legislation, regulations, or other regulatory instruments that may be relevant to understanding competition in the personal banking sector.**

Being able to clear Kiwi Dollars at RBNZ

The growth of literacy around Kiwi Saver, and the funds management industry

**Q4 What aspects of competition in the personal banking sector have a particular impact on Māori?**

Excessive regulation around CCCA has pushed Maori to Pay day lenders and finance companies . Banks fail to help Maori with basic entry level services , particularly first loans for cars as entry level workers.

**Q5 Do you agree with our preliminary observations of publicly available bank financial performance data (including those set out in Attachment C)? If not, please explain.**

MWNZ believes that the Attachment c is the best Study of profitability in the 4 market studies done so far (including teleco ) by the ComCom , its excellent . We think it would be useful to buy the S&P and Moody's data also

We urge the Commission to be resolute in not getting sucked into vacuous public debate with bank lobbyists and the expensive lawyers that the banks will engage with to argue profitability,

Instead the Commission should use its scarce resources to figure out how to fix the broken markets and break the oligopoly . This is where consumers want to see the Commission's resources allocated in this market study . The pressure is on the commission not to prove self-evident excessive profits, but actual fix the market with regulatory tools and intervention .

**Q6 Please describe the factors that have the most influence on the financial performance of New Zealand personal banking service providers.**

- 1) Net Interest margin
- 2) Costs
- 3) Game theory

**Q7 Do you agree with our description of the digital innovation and digital disruption trends in New Zealand and overseas?**

- 1) Yes, we agree, Noteworthy is the comment "***we do not see similar levels of digital disruption occurring in the NZ banking industry***"
- 2) We applaud and agree with the focus of the commission, which is supported by the 3<sup>rd</sup> party verified data supplied and the international benchmarks,
- 3) NZ is at least 10 years behind in reforming mortgage banking for consumers,
- 4) It is essential that this study does not reward banks financially for their delays in innovation and their obnoxious insult to Minister Kris FFAafoi's letter of Dec 2019 , where he urged a speed up of implementation . The banks essentially challenged him to stuff off and legislate

- demonstrating their apparent belief that the banks collectively are more powerful in the New Zealand economy than the New Zealand government..
- 5) The delay has delivered an estimated \$5bn benefit to the banks and a serious level of financial harm to consumers.

**Q8 Do you agree with our initial choice of personal banking services to focus on? If so, why? If not, which services should we focus on, and why?**

On second read of the focus the emphasis on fixing the mortgage market for consumers is a honourable and workable focus .given the wide range of competitive activities bank participate in .

We urge the Commission to “bring the public with them “ and ensure that the commission publish its own numbers ( not the Monopoly Watch Estimates ) of how much consumers would save if they had lower interest margin .

The average first mortgage is \$670,000 ( [www.interest.co.nz](http://www.interest.co.nz) ) , assume a 150 basis points saving over 30 yrs is invested in Kiwisaver at 7.5% compound. This is the correct setting to explain conceptually how much consumers are being overcharged. The number is \$920k. Call it a million bucks – that’s how much a typical middle class Kiwi will Lose as the Australian banks Charge excessively

Our initial numbers are that if NZ consumers with the average rates and they reinvest saving in Kiwisaver .

**Q9 Is competition more or less intense between or within any particular group of providers? Please explain your reasoning. For example, is competition most intense between bigger banks and smaller banks? Or most intense within fintech?**

There is no competition, between banks ( according to Standard and Poors Oct 22 ) they work as Oligopolists .

We urge the commission to use the draft report to answer – not what are the barriers to entry , but what would it take to enter the market ignite competition and bring pricing into line with international best practise – while still having a safe banking system

We urge the Commission to look at the % of mortgages financed by “non-Bank groups “ in other markets .

There is no real competition, there is brand awareness and pretend competition amongst initial first home buyers, we urge the commission to study the “ Back book “ of banks , to look at the sweet profitable spot of customers who have had a mortgage for ten years or more and understand how profitable they are and the complete lack of appetite to switch as a consequence of perceived friction in switching.

**Q10 Please describe how personal banking service providers compete to gain and retain customers. Please explain your answers and provide examples.**

There is no active price competition, the use of brokers delivers some level of competition, which needs to be encouraged during this enquiry , note worthy is brokers RETAINED TAIL , financial incentives , which inhibits switching activity , particularly when interest rates move ,

We urge a comprehensive review of the leverage of brokers to ignite competition in this cosy cartel like oligopoly during the market study, particularly after open banking is started ,

**PLEASE NOTE :** Open banking and mortgage broking encouragement is not enough to start competition , the country will need a break up of market power and new non-Australian entities . We urge the commission to model what a break up of ANZ and CBA/ASB would look like . WE also urge a substantive review of the Trustee Savings Banks Restructuring act of 1988 hich could be used to kick start a new group of regional trustee banks with a common software platform and regulatory structure, similar to the group of banks which effectively serviced customers in the 1960s, 70s and 80s . Thereby creating a structure like Simplicity uses , and Southern Cross uses to facilitate bank entry and disruption.

**Q10.1 Do providers put the same amount of effort into gaining and retaining customers?**

The numbers speak for themselves, what is noticeable is that Kiwisaver providers in NZ are not engaged and regulated out of discussing mortgages with their customers, . Its in the development of competition interest's that kiwi saver providers have full access to mortgage margins, rates and amortization profiles . Banks don't act in customers interests, they act in the interests of their shareholders

**Q10.2 Which services are subject to greater competition and which services are subject to less competition?**

At the first mortgage level there is some brand competition and choice. Brokers compete amongst each other more than the banks they help open SAC ( subscriber acquisition costs ) wars that can be used to preserve or drive market share . The level of margins , profits and benign switching , speaks to market failure and a broken industry .

**Q10.3 Please describe how important national branding is to compete for personal banking services.**

National banks become more important in the days of scamming and internet fraud. Nationally branded effective apps and bullet proof security from fraud is the benefit of national brands.

**Q10.4 Please describe how important having a physical presence is (eg, branch network) to competing for personal banking services.**

In senior (old people ) communities the branch network is essential . They are also critical to many small businesses who trade in cash – cafes and small grocery stores are examples. When banks close branches, reduce hours and even limit which days cash will be handled within the opening hours that remain, they force SMEs to hold undesirable levels of cash – arguably fuelling the epidemic of

ram raids and other crime. They are also forcing NZ towards a cashless society which will increase their ability to take a margin from every conceivable financial transaction.

For the process of “onboarding “ and identity checking physical branches are critical. We urge the commission to ensure that onboarding identity checking can be completed at a wider range of locations (including any post office , and any bank ) so a ANZ customer could use a ASB branch to confirm identity etc .

**Q10.5 Please describe how competition for personal banking services varies between regions.**

- 1) Ease in which you can verify identity
- 2) Ease in which you can meet an expert to have an initial conversation on how to borrow money

**Q11 How varied are home loans and deposit accounts between providers? What are the key features by which these services are differentiated?**

Some operators give Cash Back Gifts, some give Pizza, some vouchers

There is pathetic innovation, or bespoke needs relative to situation, in particular in rate fixing, similar to the USA where you have 30-year fixed rates

Everyone seems to follow the ANZ, its pathetic in real competition terms .

**Q12 What interactions do banks and other providers of personal banking services have with each other?**

Banks talk to each other every day and many nights , treasury dealing teams who sit in dealing rooms , focus on inter bank transactions and larger treasury transactions . They lay off risk with each other in Foreign exchange , Bond dealing , interest rate swaps , bond issuance also deposits, cash ,& term deposits . They also have intra day and longer dated trading limits where they risk the banks money , and trade the markets . They work the futures markets , and write , sell and buy options over exchanges or OTC options .

Many treasury dealers behave like normal young people and they party, drink , nightclub, do drugs and talk shop.

All bankers say they are busy “*reducing the cost of funding for clients and customers* “ but in between drinks they are really making money for themselves and ensuring their bonuses are as big as they can be . Quoting Nick Lesson who inelegantly personally blew up Barings Bank in Feb 1995 , “ *I was trading the banks money to secure my Bonus was paid.* “ \* Obviously senior management at fault through failure to supervise \*( BoE June 1995)

The ComCom needs to understand that the banks will try to confuse the process and pretend that the international swap market is driving the high cost of funds . Yes part of the NZ mortgage market is funded by the wholesale international money markets , but circa 80% is domestic deposit base.

We urge the commission to question what is the ratio of domestic to international funding and whether its deposits or wholesale and how that impacts pricing , The Banks will complain that this pricing will go up with any intervention .

We urge the Commission to understand how lose many treasury rooms get on “position dialogue “

We urge the Commission staff to go drinking & partying with treasury rooms people , any city of the world will be similar . find the bar the conversation from will be similar. from Joburg to London , Harare to New York , Tunisa to Tokyo . similar dialogue will be discussed.

**Q13 What role do mortgage brokers or other intermediaries play in the market? What is their impact on competition?**

Brokers create competition. Yes they cost money but traditionally they have helped ignite lower rates and enable new players. Going forward broker fees may be used as discounted rates and similar to travel agents (brokers) get disintermediated by apps, so with new digital banks the brokers may be removed replaced by lower prices for self service , like easy jet.

Brokers should be encouraged, once new operators are introduced to the market .

**Q14 How do banks and other service providers segment their customers? Why?**

Private banking services are the first port of call for segmentation, then they do it on customer records ( how well you admin your accounts, what your income is ) what your uses of their products are etc

**Q15 How well is competition for personal banking services working for different population groups in New Zealand? Why/why not? For example, how well is competition working for rural, Pacific, older or Māori populations?**

The numbers speak for themselves, there is no banking competition in NZ. This has significant consequences, including asset allocation ( ie some residential investors should be guided to consider managed funds )

Pacifica and Māori are particularly disadvantaged as the main target market of underground lenders, digging the poverty trap deeper and deeper each year.

**Q16 Which conditions of entry or expansion in the personal banking sector most significantly affect competition?**

**Here are the factors which will create competition in NZ**

- 1) Open data access , ( open banking ) so frictionless movement of institutions can take place as it did in NZ telecommunications 20 years ago, BUT it will not solve the problem on its own.
- 2) Several well financed , well capitalised , well marketed regulatory compliant new entrants who can play at scale
- 3) Consumer Awareness is driven.
- 4) RBNZ guarantees for up to \$100,000 of deposits



The Commission needs to better research the impact of this lack of competition. It is driving too much money to real estate in profitable mortgages and fertilising the MASSIVE under investment in Kiwi saver in NZ , most economists agree Kiwi saver needs to go to 12-15% of incomes to drive a catch up period .

Banking competition will in part help this move.

The Commission must visit the websites of all the UK Challenger banks , Monzo , Starling , Atom etc , they all emphasis on the front page the FSCS ( Financial Services Compensation Scheme ) it tells the story . The Commission must take into account the delay the big banks have made in allowing this to occur. The Big banks have an implied govt guarantee the small banks don't. ( see rating agencies comments on this)

**Q17 How does the regulatory environment impact on entry or expansion in the personal banking sector?**

Banking post GFC , is all about ,Regulation ,Regulation and Regulation , All the major banks will do what all the dominant monopolies do in NZ – blame regulation and red tape , to deflect attention from the real issue of market structure for high prices .

We urge the commission to respect the central banks control of bank regulation and focus on abuse of market power, SAC wars , and the requirement to legislate to re - introduce a new type of bank similar to the old mutual savings banks.

**Q18 How do you expect proposed open banking reforms to affect conditions of entry and expansion in the personal banking sector? Please explain your reasoning.**

Open banking on its own will be a waste of time – New Zealand's market is far too broken. We need to fix market structure and legislative reform for new entrants, and capital for them.

The Commission should absolutely model and consider the break up of ASB/CBA and ANZ, into 2 units, where ½ are sold by the Australians to other entities ,( private equity , or funds, or listed ) and a brand change takes place . That is fair to existing banks and customers, but also is a step forward in creating competition.

**Q19 What are recent examples of actual or potential entry, expansion or exit in the sector that we should be aware of? Please provide as much detail as possible.**

The only saleable New Entrant is Kiwibank in the last 20 years , that has failed to be a catalyst for reform –

HSBC leaving is a great shame, and consultation needs to take place on what it would take for them to stay and buy other loan books and become scalable .

We urge the Commission to review Judo in Australia as a case study for what could be part in NZ

We urge the commission to understand Monzo and the list of challenger entities listed in the Preliminary issues paper .

We will circle back in CIC ,with our analysis of KiwiBank . Essentially its been a tool for the Aussie banks to improve their profitability, giving them a organisation to send their high maintenance un

wanted customers . A fundamental re think of kiwibank is needed , it alone cannot make a difference . After 20 years kiwis are paying more not less to be banked .

**Q20 How do personal banking consumers select their first bank or personal banking service provider?**

Parents

Employers

Schools

Flatmates

Friends

Prison Guardians

**Q21 How often and why do personal banking consumers search for a new service provider?**

Hardly ever , only on divorce , death , bankruptcy , business failure, huge financial incentive

**Q21.2 switch to a new service provider?**

The numbers speak for themselves

**Q22 Please describe any factors that might prompt or hinder a consumer searching and/or switching to an alternative provider of personal banking services.**

Massive amount of administrativbe friction, and heavy form filling

**CASE STUDY :** Large Auckland private members club, swaps banks to help secure a more competitive loan for its clubrooms. As a condition of the loan they are forced to change their clearing bank arrangements. This requires over 3000 members to change their automatic details . The cost and the pain of the administration change significantly outweigh the benefits of the cost reduction.

**Q23 What tools are available to help consumers search, compare, and switch providers of personal banking services?**

Google search engine

Interest.co.nz website

There are no serious new entrants

However the problem is vastly too big for a “bank switch” site alone to make an impact

**Q24 Please identify any personal banking services that are either tied or bundled with other services.**

- SME loans are tied to mortgages and PGs
- Clearing facilities and Forex is often tied to loans
- Cards and other services are brought into one account system.

**Q25 Please describe the innovation you have observed in the personal banking sector in New Zealand over the past five years? Please describe and give examples.**

- The app on the ASB site has a night light on it. !! ( that's how pathetic it is )
- The Media report the profitability of the banks faster.
- There is no innovation, other than Simplicity not for profit mutual funds.

**Q26 How does innovation in the personal banking sector in New Zealand compare to overseas markets? Please describe and give examples.**

Its pathetic in NZ and embarrassing when friends kids and relatives come to stay asking where and when to set up bank accounts.

- 1) No freely easy of frictionless swap out of accounts
- 2) No Monzo style ease of new accounts
- 3) No seamless transfers via the apps with international accounts
- 4) Paywave – allowing banks to take several cents surcharge from every trim latte consumed by Commission staff – vastly more than the underlying transaction cost and a situation that will become untenable if/when the banks rush us into a cashless society.

**Q27 Please describe any latent demand for new personal banking services that is currently being unmet.**

The latent demand comes after illustrating what the price point differences could be on mortgage debt and the lower fees available from competing services .

**Q28 What are the main incentives for providers to innovate in the personal banking sector? Please describe the nature and strength of these incentives.**

There is essentially profitable business opportunities to lend money, clear transactions and provide payment systems , investments and KiwiSaver style products . Currently there is a fortress.

**Q29 What are the most significant impediments to innovation in the personal banking sector in New Zealand? Please describe and give examples.**

- 1) Open banking software access on regulated formal pathways
- 2) Real challenger organisations that are not part of the “oligopoly club”

**Q30 What impact, if any, does ownership structure have on providers' ability and incentive to innovate?**

Westpac NZ came close to launching a new service called Buck, but didn't proceed due to last minute noise due to Australian head office noise

Australian banks are in a 4 Pillars policy style club in Australia, its naïve to think they are going to compete on anything other than brand in NZ . Market structure and the performance numbers point to a clear and present competition problem. Paul Keating fixed banking in the 1990s "to help the club "

**Q31 Are there any other analyses or factors not raised in this paper that could be relevant to this study? Please explain your answer.**

Threats to divest. There are consist childish threats to divest from NZ by the Australian shareholders of their ( Much more than Aussie ) excessively profitable banks . These threats are truly pathetic and insulting to the NZ consumers and NZ govt.

The Commerce Commission should recommend the NZ defence force has a jet available to transport the Aussie banker owners back to Aussie at any time they want to go . There are plenty of credible international buyers to take up the business they can sell .

The ComCom need to reflect on when Paul Keating deregulated Aussie Banks in the 80s , and several internationals turned up to expand into Australia. No one could build up critical mass , and the 4 Aussie Banks are protected by the Australian bank protection Act . the 4 Pillars policy needs to be reviewed to impact NZ

**Additional Point: Household Asset allocation Needs to be reviewed by the ComCom**

Its strategic to this market study that the ComCom look at the OECD household asset allocation to residential real estate v managed funds like Kiwi Saver. THIS IS AS A CONSEQUENCE of a lack of competition in mortgage and savings markets . ( the core point of the study ) . ie if there was more competition consumers would be inclined to balance household allocation from Real estate to retirement schemes like KiwiSaver and managed funds .

Initial MWNZ numbers show / We **Suggest the ComCom produces its own numbers** and fish them out from their OECD benchmark numbers

	<b>Household asset Allocation to Residential real estate and retirement savings schemes KiwiSaver and similar</b>	<b>Comment</b>
NZ	92%	This matrix shows one aspect of impact of lack of Competition in Mortgage market, and actually creates a banking risk item
Euro Area	51%	If we assume OECD benchmarks this number shows how an out of control NZ mortgage market has created financial instability
Australia	63%	This number needs to be researched, but it illustrates the benefit of the Australian Compulsory retirement savings ecosystem
Austria	48%	
Germany	53%	Skewed as a consequence of higher proportion of renters
Spain	63%	
Finland	51%	
Greece	God knows	
Belgium	53%	
Italy	60%	
Luxembourg	51%	
Malta	45%	
Netherlands	61%	
Portugal	51%	
Slovenia	70%	
USA Average	Working on it	
Slovakia	75%	
Connecticut USA	17%	This illustrates best practice , but also sheer wealth of a pocket of USA

We urge the commission (who have more resources than Monopoly Watch) to polish these numbers up . This is MWNZ research and is partially sourced from the ECD working paper 1722 Aug 2014

Its really strategic to the conversation on a lack of competition in the mortgage market that NZ is so dramatically under saved for retirement, that lowering mortgage costs aren't spent on yet more property ,but the capital is allocated to retirement savings instead .

**Q32 Which analyses and factors do you think should be a priority for the Commission to**

***We urge the Commission to review the following numbers.***

What the total cost to individual households is of excessive margins over the lifetime of mortgages , where the money may have been reinvested in compounding Kiwi saver schemes

- *“Monopoly watch has calculated the net benefit to NZ consumers of a more competitive international style mortgage market would mean for the average kiwi with a 670,000 mortgage ( See Interest .co.nz ) as average size they would be 580,155.92 better off if they invested their savings at 5% compounding annually . Or \$941,234.20 if they invested at 7.5% compounding annually . In round figures, a typical Kiwi over their lifetime will pay the Australian banks \$1million in EXCESS profits. Fair dinkum! These numbers help laser focus on the importance of this ComCom review of the banks.*
- *In separate appendix we will share our numbers prepared by 3<sup>rd</sup> parties and we request canvas & publication of these numbers in the final report.*

**Additional Point: Dementia Banking and Senior banking services;**

There is market failure in the provision of banking services to this seniors, we urge the Commission to understand the scale and size of this problem in association with Dementia NZ .

We urge the commission to collect numbers on the size of the “fraud and scamming of senior people and the efforts to solve this problem. As some of the banks best and most loyal customers have been trashed as they reach their senior years .

In CIC , we will be submitting case studies of some appalling examples of disgraceful banking conduct with regard to NZ seniors and other minority groups .

**PPENDIX NOTES**

It also gives context to the embarrassment of the ASB Trust, which recently changed its name to Foundation North , because they are so embarrassed at having handed Auckland’s community crown jewels to the Aussies for a pittance . We urge caution from the Commission in provoking regretful emotion about this embarrassment with the trustees. A NZD 25bn asset sold for \$800m , and an asset today which generates \$2.5bn in Dividends .

**Monopoly Watch NZ (MWNZ)** is a NZ evidence based public policy analysis group which wishes to comment on Aotearoa New Zealand’s Banking market failure which harms NZ consumers and blatantly transfers wealth to Australia. We want to highlight the clear and present pressure on the Commerce Commission in this study to publish some workable solutions which will fix this broken market.

We want to promote a fundamental rethink on social banking. NZ capitalism needs to be saved from itself, not just tinkered with.

We thank the Commerce Commission for engaging with Monopoly Watch and setting such a high standard for analysis and enquiry.

During the market study enquiry substantial evidence will be submitted to prove that the current industry structure is not working for consumers and suppliers

**T Edwards  
Worker  
MWNZ**