

REVISED INTERIM RESPONSE

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Re: Commerce Commission: Personal Banking Services market study - draft report

Thanks for your email of 14th April raising this to our attention. By way of an interim response, Te Puni Kōkiri has the following comments.

The report does a good job of recognising the current banking incumbency, low incentives for competition and the need for open banking and regulatory improvements to encourage the type of disruptive, technology driven innovation that new entrants are more likely to deliver.

From a broader Māori population perspective, we note that much of the report deals with the potential for improvements that might impact most New Zealand citizens who are already served within the existing system, and less about those who may still be struggling to gain access to even the most basic of its services.

In this context, outside of specific regulatory intervention, we doubt that even significant changes to the competitive environment will incentivize the major “for-profit” banks to provide services to whānau Māori who are currently regarded as non-bankable and/or very hard to engage and reach.

For these situations, there will likely be a need for bespoke solutions that are based more around collective and/or social enterprise models, such as cooperative banking and credit unions, most likely driven and backed by iwi and/or other Māori collective asset owners.

In this respect we consider that recommendations (rec 16 in particular) could go further towards encouraging the appropriate parts of the government system to develop policy and investment interventions that can better enable iwi and Māori-led initiatives of this nature.

In the timeframe available to comment, we were unable to determine whether the market study has considered more explicitly whether tangata Māori could reasonably expect the Crown to recognise its responsibilities under te Tiriti to ensure equal access to financial transactional capability. If not, this might be something worth considering.

There are clearly cumulative benefits for New Zealand citizens who can successfully access the current banking system. As the draft report points out, a main banking relationship underpins access to housing and other loan finance, which in turn creates asset security against which these citizens’ enterprises can access working capital. Hence, for those not in the system, this lack of access can be compounding. Our point being, that a lack of basic access to financial services has potential economic consequences in areas beyond the remit of your current study, and that are worth highlighting.

In this context, the final report could profile the current Treasury-led work on Māori Access to Capital and related precursor research from the Reserve Bank of New Zealand (RBNZ) in 2022. The RBNZ research outlines similar findings to those acknowledged in Chapter 3 of the draft market study.

More specifically, our comments on:

Draft recommendation 15 - Industry and Government should prioritise work to reduce barriers to lending on Māori freehold land:

- We acknowledge recommendation 15 in respect of specific issues relating to the use of whenua Māori as a security for lending as well as the opportunity for regulatory relief around the AML/CFT Act.
- Whilst housing is a top priority and most relevant in the context of personal banking services, developing better solutions to borrowing against whenua also support business/enterprise development for whenua-owning SMEs, iwi and Māori owned business and Ahuwhenua Trusts.
- Given their greater market share, the adoption of the Kāinga Whenua Loan (KWL) scheme by one or more of the four major banks, could see a step change in the success of the scheme, by lifting access and stimulating competition and innovation amongst KWL-offering banks.
- Such an approach i.e. regulatory intervention to require banks to offer KWL schemes, may be fiscally more attractive than interventions to build the market share of Kiwi-bank.

Draft recommendation 16 – Industry and Government should prioritise ensuring widespread availability of basic bank accounts:

- We acknowledge the intent of this recommendation but would like to see it strengthened.
- We note the potential for smaller non-retail-bank providers such as credit unions or new fin-tech enabled collective approaches to offer basic banking services to the otherwise ‘non-bankable’ and low income whānau.
- This could also involve partnerships between alternative finance providers and settled iwi, who could underwrite some of the risk associated with extending basic banking services to vulnerable iwi members.
- Encouraging the government system to develop policy and interventions that support iwi and Māori led solutions that improve banking access for all Māori.
- Using regulation to require mainstream banks to provide basic financial transactional access to otherwise “non-bankable” or vulnerable iwi members.

We hope this interim response is of value and welcome further discussion.

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