FINANCIAL SERVICES FEDERATION

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Market Studies
Commerce Commission

By email: marketstudies@comcom.govt.nz

Market study into personal banking services: Preliminary Issues paper

The Financial Services Federation (FSF) is grateful to the Commerce Commission (ComCom or the Commission) for the opportunity to respond to its Preliminary Issues paper (the Paper) on the market study into personal banking services.

By way of background, the FSF is the industry body representing the responsible and ethical non-bank finance, leasing, and credit-related insurance providers of New Zealand. We have over 90 members and affiliates providing these products to more than 1.7 million New Zealand consumers and businesses. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A. Data relating to the extent to which FSF members (excluding Affiliate members) contribute to New Zealand consumers, society, and business is attached as Appendix B.

As can be seen from Appendix A, the FSF's membership represents a wide range of non-bank financial services companies including Non-Bank Deposit Takers (NBDTs) – including Credit Unions and Building Societies, non-bank housing lenders, motor vehicle finance providers, personal loan providers, credit card issuers, fleet leasing providers, etc.

Introduction:

Effective competition process:

The FSF notes that this study will help to inform the public, the sector and government about the nature of competition in personal banking and how the sector operates at present.

The non-bank finance sector provides important competition to the registered banks in all aspects of personal financial services. Being much smaller organisations than the banks allows non-banks to be more nimble and therefore more innovative in the way in which they offer financial services and products to consumers. Examples of non-bank innovation include peer-2-peer lending and Buy Now, Pay Later (BNPL) products.

However, because of their size, non-bank financial services businesses are significantly more adversely affected by the extraordinarily burdensome layers of compliance being imposed on the financial services sector than are the banks.

The average number of staff working in FSF's member organisations is less than 50 with some organisations having as few as 2 people responsible for their entire operation including all compliance obligations. This is in contrast to the thousands of people working within each of the large registered banks.

The sheer volume of regulation, both current and upcoming or proposed, as outlined in Tables 1 and 2 of the Paper, applies equally to non-bank financial services providers as it does to the registered banks. But the FSF would argue that the non-banks have limited ability to resource this when they have so few staff available to them (who all have responsibilities to the running of all other aspects of the business), and limited budget to hire yet more compliance staff or to engage professional services firms to assist with ensuring their compliance.

This necessary focus on compliance comes at the cost of innovation and therefore increased competition.

If the FSF was to single out one piece of legislation or regulation that has done more to stifle innovation and competition than any other, it would have to be the December 2021 changes to the Credit Contracts and Consumer Finance Act 2023 (CCCFA). The highly prescriptive process that these changes introduced to the way in which lenders are expected to assess the suitability of their loan products and their affordability, coupled with the extremely punitive personal liability on lenders' senior managers and directors means that all lenders have to apply a "one size fits all" approach to their credit process which leaves no room for lender discretion or judgement.

This has resulted in severely limiting access to credit for consumers from responsible lending providers if a customer, who they might previously have been able to assist using their experience and judgement, does not tick all the required boxes. The problem here is that the customer's need hasn't gone away just because a lender has declined their loan and that leads to desperate people seeking the lender of last resort to meet that need which may lead them to a provider for whom compliance is not so important.

It has also led to lenders quitting the consumer lending market altogether to focus on less heavily regulated business lending which is certainly not helpful to promoting a competitive market.

A further unintended consequence of the overly prescriptive CCCFA regime is that it has created a significant barrier for consumers to be able to change providers in order to obtain a better deal. It has effectively created "mortgage prisoners" where the granular and intrusive assessment of all household expenses rather than just the individual's fixed outgoings renders their loan "unaffordable" to a new provider (even though they may be meeting higher existing commitments with their current lender) and reduces their ability to switch to obtain a better deal.

One final point the FSF would make with respect to the promotion of a competitive market is that there has been a distinct lack of consistency in the way in which government has chosen to support consumers adversely affected by events such as the Covid pandemic and the recent severe weather events in the North Island. This has created a distinct competitive advantage for the banks over the non-banks and the FSF submits that the government should not be in the business of making competition easier for one sector over another.

Early on in the first lockdown period, government overnight passed regulation to allow registered banks to waive the affordability assessment requirements of the CCCFA to be able to assist their customers seeking relief from mortgage payments through payment deferral, extending the loan term or offering an interest only period, if the customer had been adversely financially affected by the lockdown.

The same allowance was not extended to non-bank lenders, in spite of the FSF's submissions that the 1.7 million New Zealand customers of FSF members deserved the same level of consideration and assistance as do the customers of the banks. In spite of this lack of government support, FSF members assisted tens of thousands of their customers by offering the same sort of relief that banks were offering to their customers with impunity, because it was the right thing to do and the best option for their customers – in spite of the fact that it could have seen them be in breach of the CCCFA.

The recent exemption in regulation from the CCCFA affordability assessment process in order for lenders to be able to quickly provide a $10,000 overdraft facility or extension to a housing loan to assist with replacing household goods damaged in the weather events is a further case in point. Restricting this allowance to a narrow product range (overdrafts and housing loans) was, in the FSF's view frankly ridiculous not to mention uncompetitive as it forced consumers to approach their bank for assistance (assuming they had a housing loan or were eligible for an overdraft on their transactional account).

The exemption should have been applied where it was most needed which was through point-of-sale finance made available through the retailers providing the household goods that those affected by the flooding most urgently needed.

Accessibility:
The FSF notes that the Commission acknowledges in the Paper that personal banking services are important to all New Zealanders and lack of access can have a very detrimental effect. The FSF agrees with this assertion and points out that many of the FSF's members exist specifically to provide the services that New Zealand consumers and businesses require and the accessibility to obtaining these that the banks, because of their size, innate conservatism and profit-driven nature, are unable to.

Examples of the differentiated types of services and products offered by FSF's members include (but are not limited to):

- Specialist asset financing for small to medium-sized businesses that is secured by the asset itself rather than through a mortgage over the family home and unlimited guarantees from directors (often including a relationship partner who is not involved in running the business).

- Home lending solutions for consumers not offered (or only offered on a limited basis) by the banks including higher LVR loans for first home buyers with a proven ability to service the debt, bridging finance or finance for new home builds.
- Unsecured personal loans on a term basis rather than open-ended revolving credit provided by access to a credit card.
- Point of sale finance at retail outlets or motor vehicle dealerships for the purchase of motor vehicles, furniture, appliances, etc with the loan secured by the asset being purchased.
- Access to in-person service for providing personal banking services through Credit Union and Building Society branch networks in parts of the country where the large registered banks have long since closed their branches.

The FSF strongly urges the Commission to keep in mind the importance of the non-bank financial services sector in their work on this market study, particularly in terms of the competition and choice they provide to the 1.7 million New Zealand consumers and businesses who already have a relationship with FSF member organisations.

Finally, with respect to effective competition, the FSF points out that, with a Consumer Data Right (CDR) on the horizon but still yet to actually come to fruition, the ability for consumers and businesses to easily migrate their business from one institution to another is severely restricted. Portability of data is essential to making the choice to move providers to access more competitive offerings and the banks hold a disproportionate advantage in the fact that they hold so much data on their customers that they actively discourage them from sharing with their competitors.

Sources of registered bank funding and sector lending:
Figure 1 on page 16 of the Paper shows sources of registered bank funding and sector lending and states that the Commission welcomes feedback on the extent this figure is representative of other service providers and asks how different the diagram is to the way in which other finance providers are funded and lend.

If, by "other service providers", the Commission means the non-bank finance sector, the FSF has the following to say.

Non-bank lenders fund their lending activities in many different ways. As of 30 June 2023, there were 16 licensed Non-Bank Deposit Takers (NBDTs) operating in New Zealand according to the Reserve Bank's website. These are the only non-bank financial services providers who fund themselves through raising deposit funds from the public.

Other non-bank lenders who are Non-Deposit Taking Lending Institutions (NDLIs), use a variety of ways to fund their activities. These include shareholders' funds, parent company funding, and the use of securitisation vehicles and wholesale funding lines provided by registered banks or investment funds – or a mixture of these.

The FSF notes that reliance on bank wholesale funding puts NDLIs at a significant competitive disadvantage to the banks providing the funding given the cost of funds is increased by the margin the bank charges the NDLI compared to what they pay to raise these funds from the market and then the NDLI has to add a further margin on the interest rate they charge their customers in order to meet their cost of funds and to make a profit.

The FSF would also point out that, also during Covid, the government again provided the banks with a significant competitive advantage to the non-banks with respect to access to funding through the Reserve Bank's Funding for Lending programme.

With respect to where the non-bank sector lends, using the data gathered from FSF members in Appendix B, 7% of their total lending is for housing, 48% is personal consumer (both secured and unsecured and including motor vehicle lending), and 45% is business lending (not separated into business and agriculture as per Figure 1).

Terms of Reference for the Market Study:
The FSF notes that Cabinet has decided that the focus of the Market Study is specifically on deposit accounts (which includes transaction accounts, overdraft facilities, savings accounts, and term deposits) and home loans.

With respect to the former, the FSF's NBDT members offer products which would meet the definition of deposit accounts and the FSF also has a number of members who provide home loans to consumers. In both respects, FSF members offer valuable choice and competition to the registered banks.

The FSF also notes and agrees with ComCom's acknowledgement in the paper (paras 43-47.4) that access to personal banking services is important to New Zealanders and that lack of such access can have a detrimental impact on individuals. This is particularly true where there is a lack of ability for an individual to obtain a transactional account without which the individual may not be able to receive benefits to which they are entitled.

FSF's credit union and building society members report that they work to assist people in such situations wherever they can and are able in some cases to provide access to physical branches where the banks no longer offer in-person services.

One of the major barriers FSF members have identified to access to personal banking services is the requirement under the Anti-Money Laundering/Countering Financing of Terrorism Act 2009 (AML/CFT Act) for a person's identity to be verified including address verification. If a person has no fixed address (for example where they are homeless, are not the bill payer for household utilities, or are recently released from prison), their lack of ability to provide verification of their address can preclude them from being able to meet the financial services providers' AML/CFT obligations and therefore their access to a transactional account. FSF has submitted strongly to the review into the AML/CFT Act that is currently being conducted by the Ministry of Justice, that the address verification requirement should be repealed where simple customer due diligence can be carried out.

The FSF will now turn our attention to answering the questions raised in the Paper.

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

The FSF notes that para 82 of the Paper talks about there being a range of licensed and/or certified non-bank businesses (such as non-bank deposit takers, and peer-to-peer lenders) that offer personal banking services.

The FSF points out that there are also many NDLIs such as the majority of the FSF's membership that also offer personal banking services, including those that offer products that are within the scope of this study, for example, the non-bank housing lenders.

1.1. 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.

Please see the answer to question 1 above and also refer to the list of the FSF's members attached at Appendix A.

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

The FSF notes that it's not an easy task to determine the actual size of the personal banking sector given that the Reserve Bank only collects data from the institutions for whom they are the supervisor – the registered banks and the licensed NBDTs. They also collect some data on a voluntary basis from some of the NDLIs, particularly those involved in the provision of housing lending but this does not provide a picture of the size of the total non-bank lending sector.

The FSF facilitates an annual data-gathering exercise from our lending members (the aggregated results of which are attached at Appendix B). We are lucky to be able to receive data from 100% of our lending members but they do not represent 100% of the non-bank lending providers working in the New Zealand market (and nor will we ever achieve this as we have taken the strategic decision not to admit such lenders as high-cost loan providers as members, for example).

The Commission will be able to determine the total dollar amount of lending each year from the annual return that lenders must now provide to them as required under the CCCFA, but this will not shed light on the total market share within the personal banking sector as it only covers new lending arranged during the reporting period.

Having said this, the assertion in para 84 of the Paper, that 88% of the total assets of all registered banks in New Zealand is concentrated among the four largest banks is very likely accurate.

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

The FSF believes that the Commission has captured a largely realistic overview of current and upcoming or proposed regulation relevant to personal banking services in Tables 1 and 2 of the Paper.

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

The FSF notes that, in addition to the current and proposed regulation outlined in Tables 1 and 2 of the Paper, the Paper states that the financial sector also has obligations under the AML/CFT Act and the Privacy Act 2020 (in para 52). The FSF points out that the financial sector is also subject to the Consumer Guarantees Act 1993, and the Fair Trading Act 1986.

The FSF submits that, one of the biggest barriers to competition in the personal banking sector with respect to competition specifically related to lending including housing and personal lending would be the current iteration of the CCCFA for the reasons outlined in the introduction to this submission.

4. What aspects of competition in the personal banking sector have a particular impact on Maori?

It is impossible for the FSF to comment on aspects of competition in the personal banking sector that may have a particular impact on Maori given that ethnicity or race are not data sets currently being gathered by FSF members with respect to their customers.

5. 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?

The FSF agrees with the observations made in the Paper with respect to publicly available bank financial performance data including those set out in Attachment C. However, the FSF also refers the Commission to the KPMG Financial Institutions Performance surveys with respect to both the registered banks and some non-bank finance providers for a further source of data and analysis.

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

The FSF cannot comment on the factors that have the most influence on the financial performance of New Zealand's registered banks as they do not form part of the membership of the FSF. However, the FSF submits that the single factor that has the most influence on non-bank providers of personal banking services is the cost of compliance with the myriad of regulatory obligations to which they are subject. These costs include personnel, IT and systems costs, advice from professional services firms, etc.

7. **Do you agree with our description of the digital innovation and digital disruption trends in New Zealand and overseas? If not, please explain.**

The FSF agrees that digital innovation and digital disruption are important in providing product and service delivery choices and competition. The FSF reiterates that it is the smaller players in the market that are better able to innovate and disrupt to provide this competitive choice than are the large financial institutions. The barrier to being able to do so however is that so much resource, both in terms of people, time, project bandwidth and money is currently being spent on ensuring compliance with the raft of regulatory requirements that is currently placed on or upcoming for providers.

8. **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?**

As the Paper acknowledges in para 137, the supply of home loans appears to be particularly concentrated compared to personal loans generally. That is borne out by Figure 2 in the paper that shows that housing loans held by banks total $340 billion and housing loans held by non-banks total $6 billion or 1.7% of all housing loans in New Zealand. That clearly demonstrates a massive concentration held by the banks, notwithstanding the competition and choice the non-banks offer to New Zealand consumers as already outlined.

With respect to the focus of the study on deposit accounts, the FSF submits that this appears justified as most people require access to some form of account that would come within this definition in order to be able to operate in today's economy.

9. **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 more intense within fintech?**

The FSF submits that competition is intense between banks, between banks and non-banks, and between non-banks. The barriers that exist for consumers to take advantage of that competitive tension have already been identified in this submission but most importantly they are driven by the lack of a Consumer Data Right that allows consumers to own their own data and to be able to have portable access to it in order to shop around for better solutions to their financial services needs.

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

10.1 Do providers put the same amount of effort into gaining and retaining customers?

In general, it is less resource intensive for providers to retain existing customers or to identify other products or services that could benefit the existing customer than it is to gain new ones and start the relationship from scratch. This is because it takes time to identify new customer prospects then to meet with them to gain an understanding of their needs and it often requires incentives to entice them to switch providers.

10.2 Which services are subject to greater competition and which services are subject to less competition?

The products that are more portable and therefore subject to greater competition that are the focus of this study are deposit accounts rather than home loans. This is because moving a home loan requires customers to engage a solicitor in most cases in order to register the mortgage over the property in favour of the new lender and this incurs a cost that moving deposit accounts does not.

10.3 Please describe how important national branding is to competing for personal banking services.

Whilst the banks have national brand recognition and large advertising budgets to maintain this when compared to small non-bank financial institutions, many non-banks such as community-based credit unions and building societies enjoy local support because of their visibility and investment in their local communities.

10.4 Please describe how important having a physical presence is (e.g. branch network) to competing for personal banking services.

FSF members use a number of different operating models to offer their personal financial services depending on what is important to them. Some, including the credit unions and building societies have a branch network which tends to be localised to the region or area in which they operate. Others offer their products entirely online while others use networks of retailers and dealers to offer their products.

Undoubtedly access to a physical branch provides a level of accessibility for people who are not able to conduct their business digitally either through lack of digital literacy or inability to access technology or networks.

10.5 Please describe how competition for personal banking service varies between regions.

The FSF is unable to comment on this.

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

Home loan products are generally similar regardless of the provider. What differentiates them are features such as the interest rate – both the quantum of the rate and whether it is fixed or floating, whether an interest only period is available if required, access to revolving credit, the level of the LVR, access to bridging finance, etc. The features of the product depend on the level of risk the provider is prepared to take.

Deposit accounts are more varied as they encompass transaction accounts, savings accounts and term deposits and these offer more varied features such as the way in which they can be accessed, interest rates applying or not as the case may be, etc.

12. What interactions do banks and other providers of personal banking services have with each other?

Within the FSF membership, the non-bank sector has the opportunity for a lot of interaction and networking with each other – within the bounds of competition law. The FSF offers an annual conference which includes a gala dinner and awards ceremony and an annual Women in Finance luncheon – both of which are also open to non-members including people from the banks.

Additionally, the FSF provides three CEO/senior executive forums per year and three rounds of meetings for our special interest/working groups which are targeted to specific sectors of the membership such as motor vehicle finance providers, leasing or insurance providers or the legal and compliance or tax and finance people within member organisations.

The FSF also enjoys constructive relationships with both the New Zealand Banking Association and individual banks through areas of mutual interest such as industry advisory groups to the Ministry of Business, Innovation and Employment (MBIE) on the Responsible Lending Code and the Ministry of Justice (MoJ) on the AML/CFT legislative review.

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

Many FSF members work with brokers or intermediaries to offer their products and, in recent times, the FSF has opened up its Affiliate membership category to broker firms who work with FSF member organisations. With respect to home lending, brokers are able to offer their clients access to non-bank housing lenders who might offer features that better meet their clients' needs such as a higher LVR or bridging finance.

The other intermediaries that FSF members work with include motor vehicle dealers and retailers where the FSF member's loan products are offered at point of sale. These offerings are important to consumers wishing to purchase high ticket items such as motor vehicles, furniture and appliances.

14. How do banks and other service providers segment their customers? Why?

The FSF is unable to comment on this.

15. 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 Maori populations?

The FSF is unable to comment on this. FSF members do not segment or differentiate their customer bases based on ethnicity.

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

Please refer to comments made in the introduction to this submission with respect to the significant barriers to entry created by New Zealand's highly prescriptive and intensive regulatory regime for financial services.

These barriers to entry are particularly marked for anyone wishing to enter the market to offer deposit accounts as they would be required to comply with virtually every piece of current or upcoming or proposed regulation outlined in Tables 1 and 2 of the Paper.

17. How does the regulatory environment impact on entry or expansion in the personal banking sector?

Please see the answer to question 16 above.

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

The FSF considers that the proposed open banking reforms will not so much affect the conditions for entry in the personal banking sector as the significant barriers to entry created by New Zealand's regulatory landscape will ensure that few if any new players would consider entering the New Zealand market.

What the open banking reforms will do, in the FSF's view, is that they will allow for existing players to be more competitive because of the access to data they will create for third parties and the ability that will give to consumers to more easily access more competitive offerings.

19. 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 FSF is not aware of any recent examples of providers entering the New Zealand market offering products that are the focus of this study.

There has however been some recent consolidation in the NBDT sector with, for example, both Westforce and Steelsands Credit Unions deciding to no longer operate as independent entities and therefore to merge with First Credit Union.

20. How do personal banking consumers select their first bank or personal banking service provider?

The FSF is unable to comment on this.

21. **How often and why do personal banking consumers:**
    a. **Search for a new service provider?**

    The FSF is unable to comment on this.

    b. **Switch to a new service provider?**

    The FSF is unable to comment on this.

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

With respect to home loans, the cost to switch providers is a significant hindrance when legal costs to transfer a mortgage are taken into account. Banks often require new customers to move their transactional banking business to them when taking out a new home loan which requires switching existing payments across to a new account number which is often time-consuming and inconvenient. They may also require the transfer of other business such as insurances as a condition of the loan.

As stated above, the time-consuming nature and inconvenience of switching transactional accounts when the account number changes requiring notice of the change to every direct debit or credit initiator is also a significant disincentive for switching to an alternative provider. As is the lack of data portability as the framework for a consumer data right is still yet to be implemented.

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

The FSF is aware that there are comparison websites and the like available but has insufficient knowledge of these to be able to comment constructively on them.

24. **Please identify any personal banking services that are either tied or bundled with other services. Please describe the impact on competition.**

It is not uncommon for products to be bundled when they can complement or enhance each other, for example providing insurance products when a customer takes out a loan to purchase an asset such as a house or motor vehicle. Whilst this might be seen as having a limiting impact on competition, this practice also provides convenience for the customer through not having to spend time shopping around or having to complete more than one set of product application forms. The convenience factor can outweigh the impact on competition in some customers' minds.

25. **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 Paper itself identifies that innovation in New Zealand's personal banking sector lags behind global trends. As previously stated, the introduction of peer-2-peer lending and Buy

Now, Pay Later products together with some payment solutions, are the only examples of new and innovative solutions to have been introduced to New Zealand in recent times of which the FSF is aware.

The FSF submits that this is largely because of the significant costs of compliance with New Zealand's overly burdensome financial services legislative framework.

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

Please see the answer provided to question 25 above.

27. Please describe any latent demand for new personal banking services that is currently being unmet. Please describe and give examples.

FSF members report that their customers want access to credit that is provided quickly and efficiently and without the need for intrusive and granular questioning about their spending habits. They want the process to obtain credit to be as automated as possible so it can be accessed via their mobile phone or other devices. The issue with the currently overly prescriptive CCCFA regime is that the experience customers have is completely the opposite to this and, even where a lender uses an automated platform, it can only rarely be used to provide an end-to-end credit application process without the need for some level of human intervention.

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

To the FSF's knowledge there are no incentives for providers to innovate in the personal banking sector but considerable disincentives to do so including the regulatory framework as previously mentioned in this submission.

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

Please refer to previous answers on the significant disincentive to innovation that exists within the regulatory framework for personal banking service providers in New Zealand.

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

The FSF's members have various ownership structures including being part of a global brand such as Toyota or Mercedes Benz, being privately held New Zealand companies, a subsidiary of an Australian parent, or a not-for-profit mutual organisation such as a credit union or a building society. Regardless of ownership structure, the key disincentive to innovation is the overly prescriptive nature of New Zealand's regulatory framework and the personal liability that attaches to senior managers and directors, against which they are prohibited from indemnifying themselves, if they are found to be in breach.

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

The FSF is unable to think of anything further to raise with respect to this study.

32. Which analyses and factors do you think should be a priority for the Commission to focus on? Please explain your answer.

The FSF has no comment to make on this.

Thank you again for the opportunity for the FSF to contribute to this market study. Please do not hesitate to contact me if you wish to further discuss anything raised in this submission.

Lyn McMorran
EXECUTIVE DIRECTOR

Appendix A

Financial Services Federation

FSF Membership List as at August 2023

Non-Bank Deposit Takers, Specialist Housing/Property Lenders, Credit-related Insurance Providers	Vehicle Lenders	Finance Companies/ Diversified Lenders	Finance Companies/ Diversified Lenders, Insurance Premium Funders	Affiliate Members	Affiliate Members contd., and Leasing Providers
XCEDA (B)	AA Finance Limited	Avanti Finance	NZ Finance Ltd	Buddle Findlay	Centrix
Finance Direct Limited	Auto Finance Direct Limited	➢ Branded Financial	Personal Loan Corporation	Chapman Tripp	Credit Corp
➢ Lending Crowd	BMW Financial Services	Basalt Group	Pioneer Finance	Credisense Ltd	Debt Managers
Gold Band Finance	➢ Mini	Blackbird Finance	Prospa NZ Ltd	Credit Sense Pty ltd	Debtworks (NZ) Limited
➢ Loan Co	➢ Alphera Financial Services	Caterpillar Financial Services NZ Ltd	Smith's City Finance Ltd	Experian	Equifax
Mutual Credit Finance	Community Financial Services	Centracorp Finance 2000	Speirs Finance Group(L &F)	Experieco Limited	Gravity Credit Management Limited
Credit Unions/Building Societies	Go Car Finance Ltd	Finance Now	➢ Speirs Finance	EY	IDCARE Ltd
First Credit Union	Honda Financial Services	➢ The Warehouse Financial Services	➢ Speirs Corporate & Leasing	FinTech NZ	Illion
Nelson Building Society	Kubota New Zealand Ltd	➢ SBS Insurance	➢ Yoogo Fleet	Finzsoft	Quadrant Group (NZ) Ltd
Police and Families Credit Union	Mercedes-Benz Financial	Future Finance	Turners Automotive Group	Happy Prime Consultancy Limited	Recoveriescorp NZ Ltd
Specialist Housing/Property Lenders	Motor Trade Finance	Geneva Finance	➢ Autosure	KPMG	Leasing Providers
Basecorp Finance Limited	Nissan Financial Services NZ Ltd	Harmoney	➢ East Coast Credit	Lendscape Ltd	Custom Fleet
First Mortgage Managers Ltd.	➢ Mitsubishi Motors Financial Services	Humm Group	➢ Oxford Finance	Loansmart Ltd	Euro Rate Leasing Limited
Liberty Financial Limited	➢ Skyline Car Finance	Instant Finance	UDC Finance Limited	LexisNexis	Fleet Partners NZ Ltd
Pepper NZ Limited	Onyx Finance Limited	➢ Fair City	Yes Finance Limited	Motor Trade Association	ORIX New Zealand
Resimac NZ Limited	Scania Finance NZ Limited	➢ My Finance	Insurance Premium Funders	One Partner Limited	SG Fleet
Credit-related Insurance Providers	Toyota Finance NZ	John Deere Financial	Elantis Premium Funding NZ Ltd	PWC	
Protecta Insurance	➢ Mazda Finance	Latitude Financial	Financial Synergy Limited	Sense Partners	
Provident Insurance Corporation Ltd	Yamaha Motor Finance	Lifestyle Money NZ Ltd	Hunter Premium Funding	Simpson Western	
		Limelight Group	IQumulate Premium Funding	Credit Reporting, Debt Collection Agencies,	
		Mainland Finance Limited	Rothbury Instalment Services	Baycorp (NZ)	
		Metro Finance			
		Nectar NZ Limited			Total 95 members

FINANCIAL SERVICES FEDERATION (FSF)

THE NON-BANK FINANCE INDUSTRY SECTOR - 2022

48%

NON-BANK | BANK

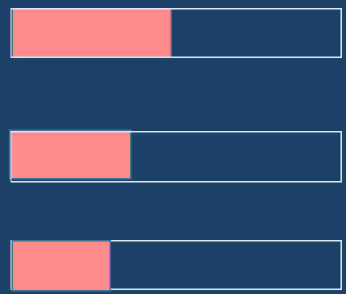
of personal consumer loans are financed by the **non-bank sector** represented by FSF members.

Setting industry standards for responsible lending, promoting compliance and consumer awareness.

Percent of Loan Requests Approved

46%

Percent of Loan Book in Arrears



2016 — 5.8%

2021 — 4.4%

2022 — 3.7%

KEY FACTS: THE NON-BANK FINANCE INDUSTRY SECTOR

FSF Members (as at 28 Feb 2022)

Number of Members	57
Number of Employees	3,561
Applications Processed	1,085,739
Loan Requests Approved	495,434
Percent of Loan Book in Arrears	3.7%

Bank Sector (as at 28 Feb 2022)

Value of Mortgage Loans	$329B
Value of Consumer Loans	$7.6B
Value of Business Loans	$118B

Non-Bank Sector Share (as at 28 Feb 2022)

% of Total Mortgage Loans	0.4%
% of Total Consumer Loans	47.7%
% of Total Business Loans	5.9%

Insurance Credit Related (as at 28 Feb 2022)

Number of Employees	237
Number of Policies	311,409
Gross Claims (annual)	$27.2M
Days to Approved Claim	20 days

Consumer Loans (as at 28 Feb 2022)

Total Value of Loans	$8.1B
Number of Customers	1,699,683
Number of Loans	1,584,984
Monthly Instalments:	$330M
Average Value of Loan:	
Mortgage	$171,932
Vehicle Loan	$12,393
Unsecured	$2,467
Other Security	$5,754
Lease Finance	$2,804
Average Monthly Instalment:	
Mortgage	$257
Vehicle Loan	$463
Unsecured	$144
Other Security	$302
Lease Finance	$241

Business Loans (as at 28 Feb 2022)

Total Value of Loans	$7.3B
Number of Customers	136,830
Number of Loans	264,827
Monthly Instalments:	$590M
Average Value of Loan:	
Mortgage	$443,784
Vehicle Loan	$28,869
Unsecured	$7,443
Other Security	$32,374
Lease Finance	$24,921
Average Monthly Instalment:	
Mortgage	$2,281
Vehicle Loan	$1,064
Unsecured	$799
Other Security	$11,044
Lease Finance	$939