

7 September 2023

To the Commerce Commission,

Market Study into personal banking services: Submission by Gloriavale Christian Community

1 The Gloriavale Christian Community (**Community**) welcomes the opportunity to comment on the Commerce Commission's Preliminary Issues paper for its proposed Market Study into Personal Banking Services. Its recent experience of vulnerability to the banking sector highlights the need for reform and clarity for certain segments of society.

Background to submission

2 The Community consists of around 580 members who reside in a remote rural area on the West Coast of the South Island. They rely on both online banking and in-person branch services located in Greymouth. The Community members belong to minority population groups in terms of their religious beliefs and rural location an hour's drive from the nearest banking branch services. The Community includes people who identify as Māori although these are a minority.

3 The Community has faced the attempted termination of its long standing¹ banking relationship including the withdrawal of credit card access and the threat of account closure.² That closure affects:

3.1 17 named individuals, including those suffering from disabilities, who are elderly and who have limited access to transport;³

3.2 General bank accounts operated by the Community for the benefit of those within it including accounts for the school, for medical care, for food and for clothing;

3.3 Accounts in the name of the Charitable Trust which owns the land, buildings and facilities where the Community resides, and various companies – including major commercial enterprises – upon which the Community relies for support and from which the Trust derive its revenue.

4 There has been no breach by any account holder of any of the terms and conditions in the operation of the accounts in question.

Submission – question 14

5 The Commission in its Preliminary Issues Paper asks “How do banks and other service providers segment their customers? Why?” (**Question 14**).

6 The recent experience of the Community is that some banks are segmenting customers into “desirable” customers versus “undesirable” customers by way of self-imposed and self-regulated internal guidelines. Absent discovery during a dispute, most customers subject to such a decision would not have the opportunity to see the decision-making records, which raises natural justice issues, and nor would they have the ability to challenge such a decision. Those internal policies in practice introduce a new customer segmentation of “social

¹ 40 plus years with BNZ.

² An interim injunction was granted on 29 November 2022 under urgency ([2022] NZHC 3271) and an application to continue the interim injunction was heard by the High Court at a hearing on 30 May 2023 (CIV-2022-418-16). The Court's judgment was reserved at hearing and has not yet been released.

³ The individuals have not applied to the Court for an injunction – they rely instead on the Community for provision of their day to day needs. Most have managed to secure alternative banking arrangements – but at some cost in terms of time.

unacceptability” based on perceived reputational concerns for the bank. The segmentation may then be used as a ground to exit undesirable customers from the banking relationship.

- 7 Whether the role of moral arbiter is one that should be assumed by those providing a necessary service such as a bank is highly questionable, particularly when presently there is no legislative protection for persons excluded from banking services. This practice begs the question of ‘where the line is drawn’ for who may be permitted as a bank’s customer and who is excluded.
- 8 Finding alternative banking arrangements is not easy – and in some cases may prove very difficult or impossible particularly if a customer is deemed to be “undesirable”.

Submission – question 15

- 9 The Commission in its Preliminary Issues paper asks: “How well is competition for personal banking services working for different population groups in New Zealand?” (**Question 15**).
- 10 Drawing on its own experience the Community makes the following comments:
 - 10.1 Banks assert an unconstrained ability to terminate banking services for any reason – even if alternative services are not practically available. That has the effect of increasing the isolation and vulnerability of those who rely on access to banking services to participate in every day society.
 - 10.2 There is presently no legislative protection for persons denied access to banking services, such as a statutory right to a basic account as in the UK and Canada. This lack of protection is of concern if banks can make judgments, independent of contractual arrangements, as to who “deserves” those services or who fits within the bank’s prevailing ideological stance.
 - 10.3 This risks increasing vulnerability for those who do not fit the perceived “acceptable” customer, those who participate in undesirable industries or whose values are not seen to be consistent with mainstream views. Competition is almost certainly effective for those customers who are “desirable” customers – and equally likely to be ineffective for those who are “undesirable”.
 - 10.4 In many cases, the reasons for a customer being undesirable also make that customer more vulnerable. Those who (for example) have unstable home addresses, poor credit, live in remote locations with inconsistent or no internet access or who have criminal histories risk falling outside the banking net.
 - 10.5 The Preliminary Issues paper notes that financial institutions may not be properly incentivised to factor in wider societal impacts of their actions. This is contrary to the principle of financial inclusion.
 - 10.6 There are inadequate checks and balances within the system to ensure that customers who no longer fit a bank’s “preferred” customer profile (and may be contrary to it) have the ability to challenge that decision particularly where there are no practical alternatives for that customer.
- 11 While commercial and business services are outside the scope of the Commission’s study, access to these services is also a live issue. The Community notes that, in its experience, most banks did not give reasons for the decision to decline a new customer application, or where reasons were given they were generic.