

18 April 2024

Submitted via: marketstudies@comcom.govt.nz

Market Study into personal banking services
Commerce Commission
Wellington

Re: Personal banking services market study draft report

All whānau should have fair access with robust consumer protections to the market provided services which are essential to their health, wellbeing and social participation.

FinCap welcomes the opportunity to comment on the Commerce Commission's *Personal banking services market study draft report (Draft Report)*. We specifically seek to comment on two of the draft recommendations as they clearly overlap with our policy positions that are formed in response to issues faced by whānau working with financial mentors.

We strongly support recommendation 16 in the draft report that *Industry and Government should prioritise ensuring widespread availability of basic bank accounts*. As outlined in our submission to the earlier *preliminary issues paper*, whānau should always have access to an account. We support the Commerce Commission commentary in the Draft Report that it is open to discussing how industry can set minimum standards for features and access through a possible exemption if needed.

We strongly caution recommendation 10 in the draft report that *the CCCF Act should be competitively neutral with respect to home loan refinancing to make it easier for consumers to switch providers*. Affordability assessments are the most important intervention to ensure credit contracts do not lead to, or further, substantial hardship.

If we have understood correctly, the draft report is recommending that no check be required as to whether a transferred home loan is affordable even if it will cost a consumer more. Financial mentors are seeing more and more whānau with mortgage stress and we will soon report more on this in our second *Voices* report. If the recommendation is actioned, then in such stressful circumstances it is foreseeable that whānau may panic and seek to move banks only to potentially obtain an unaffordable loan with exit fees which are less favourable or repayments that are less affordable. Removing a crucial consumer protection for this to be allowed appears to reflect competition for competition's sake rather than good consumer outcomes. The Commerce Commission should instead recognise the need for robust consumer protections for lending and remove this recommendation.

About FinCap

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 185 local, free financial mentoring services across Aotearoa. These services supported over 69,000 whānau facing financial hardship in 2023. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

Please contact Senior Policy Advisor Jake Lilley [REDACTED] to discuss any aspect of this submission further.

Ngā mihi,



Ruth Smithers
Chief Executive
FinCap