

Summary of views expressed

Te Komihana Tauhokohoko wānanga

Competition for personal banking services in New Zealand

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He Mihi | Greetings

He hōnore, he korōria ki te Atua

He maungārongo ki te whenua

He whakaaro pai ki ngā tāngata katoa

Hangā e te Atua he ngākau hou

Ki roto, ki tēnā, ki tēnā o mātou

Whakatōngia to wairua tapu

Hei awhina, hei tohutohu i a mātou

Hei ako hoki i ngā mahi mō tēnei rā

Amine

The Commission would like to thank all attendees for their time and for the experiences and insights they shared with the Commission.

The Commission also wishes to acknowledge the mahi of Sharon Shea, Tumu Whakarae, Shea, Pita & Associates Limited who facilitated the wānanga.

Ko te Kōmihana Tauhokohoko Tā Aotearoa umanga whakataetae | The Commerce Commission is New Zealand's competition agency

We play a role in ensuring New Zealand's markets are competitive, consumers and businesses are informed and empowered, and their interests protected, and sectors with little or no competition are appropriately regulated.

We are an independent Crown entity that administers and enforces laws relating to competition, fair trading, consumer credit and economic regulation. Our economic regulation work is in sectors that include telecommunications, energy networks, transport fuel, the retail payment system, dairy and airports.

Our vision is that New Zealanders are better off because markets work well and consumers and businesses are confident market participants.

Our functions include carrying out competition studies (or market studies). A market study is an in-depth and independent study into the factors affecting competition for particular goods or services, to find out how well competition is working and whether it could be improved.

E mōhio ana te Kōmihana ki ngā hua pai o te whakawhiti kōreoro me te Māori | The Commission recognises the benefits of engaging with Māori

The Commission is committed to supporting the Māori-Crown relationship by improving services and outcomes for Māori and strengthening the Crown's relationship with Māori.

As agents of the Crown, we recognise our obligations with regards to Te Tiriti o Waitangi but we also want stronger links with Māori for another reason: to make us a better regulator of commerce.

To deliver on this commitment we have developed our Rautaki Māori to guide our people, taking into account our current capability. It does not assume our people have any previous understanding or knowledge of Te Ao Māori and is focused on building solid foundations for us to better work with, and for, Māori.

The vision for our Rautaki Māori is “Ka whai hua te iwi Māori; Māori will benefit from our work”. To realise this vision, the Rautaki Māori seeks the following outcomes;

- Our people grow their cultural capability and are confident engaging in different aspects of te ao Māori;
- Our people have the tools, processes, and an operating environment that supports successful engagement with Māori; and
- Te Tiriti o Waitangi guides how we contribute to Māori-Crown relationships by working with whānau, hapū and iwi Māori.

Our Rautaki Māori is available on our website: <https://comcom.govt.nz/about-us/strategic-planning-and-accountability-reporting/rautaki-maori-mo-te-komihana-tauhokohoko>.

Kei te whakahaere te Kōmihana I tētahi tirohanga māketete ki ngā ratonga pūtea pēke whaiaro | The Commission is undertaking a market study into personal banking services

On 20 June 2023, the Government asked us to carry out a 14-month long study into whether competition for personal banking services in New Zealand is working well and, if not, what can be done to improve it. As part of our commitment to Te Tiriti o Waitangi and our Rautaki Māori, on 30 October 2023 the Commerce Commission hosted a wānanga with Māori as part of its market study into the personal banking sector.

The Commission sought out attendees to the wānanga who could bring a consumer, entrepreneurial, and community provider perspectives on competition issues affecting Māori in the personal banking sector.

The wānanga adopted a solution-focused approach and participants identified issues, barriers, and solutions.

Te whakarāpopotonga o ngā ariā matua o ia wāhanga | Summary of key themes by session

This document provides a summary of key themes expressed during the Commission's wānanga with Māori on 30 October 2023.

This document does not include any recommendations or Commerce Commission observations or insights. It reflects the valued voice of Māori who participated in the wānanga and their views.

The wānanga was divided into three sessions, each with a separate topic of discussion:

- **Tahi: Access** - Is competition working to ensure Māori access to personal banking services?
- **Rua: Provision** - What is the role of Māori owned or led providers of personal banking services?
- **Toru: Performance** - What is behind the issues or barriers for Māori? What could banks and other providers be doing better?

This report notes that most themes map to more than one domain. However, for the purpose of this report we have mapped the themes to the domain it has the most direct line of sight to.

Tahi | Access

Is competition working to ensure Māori access to personal banking services?

Issues & barriers

- Lack of physical presence
 - Main banks are continuing to remove their physical presences across the country but particularly from rural areas and are replacing their branches with ATMs (or not at all).
 - Elderly consumers are finding it hard to do their banking without that face-to-face element.
 - Some Māori consumers tend to go to the same person they have built up a relationship with, to complete their banking needs.
 - Some Māori are less likely to engage over the phone especially when they are making big transactions or are in a difficult situation.
 - There are long phone wait times when trying to reach the bank.
 - Digital inequity impacts on Māori consumer access. Many consumers don't have basic digital access to engage in online banking services.
- Lack of financial literacy
 - There is a sense of loyalty to 'first' banks especially when there is someone you know working there. These relationships keep consumers with the same bank.

- People tend to accept whatever services and rates they are offered first without shopping around.
 - Some do not know how or when to ask for better services and rates; nor have they been offered the opportunity by the system to engage in these types of options and choice conversations easily.
 - Many whānau do not have the time to 'shop around' as they're dealing with their day-to-day lives (and in some cases, crises).
- Poor past experiences
 - Māori perception of banks vary depending on past experiences.
 - Banks are often seen as similar to government agencies. They are viewed as being part of The System, with people from the banks seen as authority figures.
 - There is a sense of racial profiling when engaging in banking services.
 - There is a degree of judgement and suspicion when Māori consumers engage with bank services.
 - Some consumers find that there is a disproportionate layer of questioning based on ethnicity.
 - Many Māori expect to be told 'no' when applying for services and so they don't bother.
 - There is a low number of Māori staff working in the banking sector; the workforce composition does not reflect the communities/populations they work within.
 - Consumers are being given products they did not request and are being made to do all the work to opt out of them. For example, being given a debit card without requesting one, then being told to follow a long process to return it.
- Struggling to meet bank requirements to gain access to services
 - Many Māori struggle to meet lending criteria and there is lack of understanding about systemic barriers.
 - Some consumers don't have ready access to identification, and some can't obtain proof of address to open accounts. Whilst the cause of these barriers are acknowledged as outside the control of banks, these types of barriers which are often associated with wider systemic barriers, have a negative flow-on impact for whānau in the banking system.
 - When consumers are rejected by mainstream banks, they turn to loan sharks and get trapped with their rates and services.
 - There is a lack of transparency on why consumers are being declined services like home loans. No explanations are given, leaving consumers feeling lost. Sometimes the rationale for declines is not recorded which leaves data inconsistencies and gaps.
- Lack of innovation to meet Māori needs, realities and preferences
 - Māori have different perceptions of banks and what 'best' looks like.
 - Mainstream banks have the most profit but are seen to be serving the '5%'
 - Credit Unions may serve the '25%' but have less 'value' ie profit.
 - Credit Unions have 'no reach'.

- “Best” means profit but the banks are perceived as not serving and educating Māori sufficiently to meet their needs.
- Mainstream banks are not innovating to respond to Māori consumer needs.
- Only Kiwibank and Westpac offer Papakainga lending schemes.

Potential solutions

- Enable easier access and better experiences for whānau Māori
 - Value the voice and realities of whānau Māori; enable easier access to banks and high-quality services.
 - Provide virtual kiosks to enable easier access to services from all/other banks.
 - Develop and make available a simple tool that enables Māori to compare different bank’s rates and services.
 - Understanding digital inequity and cater to those people who don’t have access to technology (from smart phones to devices and data) by providing solutions to enable them to pay bills etc.
 - Ask consumers how the bank could help them and how they could improve consumer experience.
 - Take time to understand consumers circumstances to better cater to them.
 - Take the initiative and make calls to kaumatua that need to be seen physically or check on the kaumatua regularly to ensure they are being catered to.
 - Take the stress out of getting loans and other services when under financial duress, e.g. offering loan holidays but also making sure the consumers understand that there will be a higher interest rate post the mortgage holiday.
 - Have flexible criteria and policies when specific emergencies occur. Adapting and accommodating of vulnerability e.g. natural disasters (such as Cyclones) have meant that some whānau can’t pay their mortgage.
 - Target access and assistance for wāhine who tend to know more about the family finances. What services can be offered to wāhine to enhance their understanding and capability.
 - Have more transparency in information and knowledge to make it easier for consumers to manage their personal banking services.
 - Increase general customer service to enable consumers to have a positive experience.
 - Explore new and innovative ways of engaging with consumers and cater to the diverse needs of consumer groups.

- Build the financial literacy of whānau Māori
 - Educate consumers on basics such as budgeting, savings accounts, credit, and affordability.
 - Duty of care around sustainability, affordability and to remind customers of this reciprocal commitment.
 - Ensure schools are offering financial education to children.
 - Increase the capability of partner organisations like the Ministry of Social Development to continue and grow financial literacy courses.

- Make the banks decision-making systems and processes more transparent
 - Give better comprehension of the full effect decisions will have on Māori consumers and their whānau.
 - Use mortgage brokers to help address information asymmetries.
 - Explain clearly to consumers why they are being declined for certain lending services, to enable them to work towards meeting future applications.
- Build the cultural competency and cultural safety of the banking system
 - Ensure banks have a better understanding of tikanga Māori and cater to the vulnerable in the community.

Rua | Provision

What is the role of Māori owned or led providers of personal banking services?

- Lack of knowledge about who are Māori owned or led providers
 - As these providers service a specific group of consumers, they are not well known in the wider sector.
 - Some Māori are not associated with their iwi and so won't have access to that knowledge through the collective.
- Fill in the gaps or lack of services main banks don't want to provide, helping consumers to overcome barriers and access products from main banks
 - Fully understand whānau issues and circumstances. Understand their history and why they are needing help in certain areas.
 - Give the Māori cultural lens and perspective to a European centred concept.
 - Māori led providers could encourage a shift in mainstream banks to better service Māori – refocussing the lens.
 - Young Māori seem to be racially profiled when trying to open bank accounts. Māori owned and led providers should help navigate through the AML process.
- Educate and provide services to improve Māori (particularly wāhine) education, financial capability, and business capability
 - Build trust and relationships with consumers.
 - Māori providers to be brokers/ intermediaries between banks and Māori consumers.
- Māori owned and led providers should be a complement, not a substitute to main banks
 - Māori led or owned providers should not absolve banks from catering to Māori customers.
 - Māori led or owned providers should also not take away from main banks catering to other ethnic groups such as Pasifika or Asian.

What the role of Māori owned or led providers of personal banking services should look like

- Māori owned providers to be funded through Māori owned assets
 - This will ensure active participation from the community as they have vested interests for the providers to succeed.
 - This kind of investment from the community will create intergenerational interaction.
 - Whānau will be pushing for the success of these providers so that their children and mokopuna reap the rewards for decades to come.

- These providers should be 'by Māori, for Māori, with Māori' where the focus is on the collective rather than the individual
 - Ethical and moral responsibility to help and invest into the community will be a natural function of these providers.
 - They will make the system easier to navigate and from a Māori lens.
 - There will be a mix of knowledge and experience with this model as people from various parts of the sector will be involved.
 - Space for everyone to have an input in the direction of these owned or Māori led entities.
 - Opportunity for Māori to be employed and grow in the sector.

- To educate and help Māori understand and navigate through complex regulation systems
 - Provide assistance to Māori to complete requirements (i.e. AML) when applying for banking services.

- Have an Iwi – Māori owned bank
 - Could explore this opportunity through Iwi chairs.
 - This idea is being explored through RBNZ Māori access to capital.

- Learn from global indigenous developments
 - An example was shared of indigenous banking services in the United States.
 - 17 tribal (First Nations) owned banks.
 - One of the tribal owned banks that was newly established was brought about due to issues to access capital for their people and businesses.
 - This bank has created tension within the banking sector, people do tend to go to their own.
 - The bank is values based. The big difference between this bank and other banks in the US is that they want to run for over 100 years whereas other banks have a lifespan of 40 years. They want their children and grandchildren to continue to use their services.
 - It's about developing relationships, history and investing in your own.
 - As a result of this bank and its values model, they have seen an uptake in their own tribal members and other tribes in the area.

- Rangatiratanga over whenua
 - Partner with the Crown for investments on ‘the reservation’ (like Canada) to grow wealth.
 - Increased wealth has led to the First Nations tribal banks opportunity.

Toru | Performance

What is behind the issues or barriers for Māori? What could banks and other providers be doing better?

Te Tiriti o Waitangi – what does practical implementation look like in the sector?

- Māori owned vs Māori led
 - Māori owned is consistent with Tino Rangatiratanga.
 - Māori led is more aligned with a Partnership.
- Implementation of Te Tiriti o Waitangi Principles
 - Partnership may involve linking to Māori led initiatives that will lead to something better for Māori.
 - Options and choices may include Māori participation and leadership in whatever process or initiative is developed to address Māori issues.
 - Active protection of the interests of Māori as consumers. This includes Māori data sovereignty which also links back to the broader policy move to consumers owning their own data.
- Interpreting the role of government agencies and regulators
 - Provide assurance to all citizens that the services that are available are consistent with Te Tiriti o Waitangi with the acknowledgement of Māori as important members of the community.
 - Ensuring banks and regulators like the Commerce Commission, Financial Markets Authority, and Reserve Bank do the right thing in terms of getting better outcomes for Māori in the sector.
 - Ensuring that Te Tiriti o Waitangi obligations apply to all Australian and overseas banks that wish to operate in Aotearoa.
- Observing and understanding issues that come from the Waitangi Tribunal
 - Although banking is not within its purview, their interpretation of other issues is relevant to Māori.
 - This will further build understanding and cultural awareness.
- Building Māori capability within groups or individuals who make key decisions and influence the sector
 - Ensure there is a connection between key decision makers and Māori stakeholders.
 - Organising more engagement between influential groups in the sector with Māori stakeholders and even the wider community.

- Banks to work alongside iwi organisations to support whānau economic wellbeing
 - Provide Iwi with Exchange Settlement Account System (ESAS) access.
 - Share resources such as compliance materials, allowing the smaller groups to focus on what is important to them.
 - Provide wholesale funding.
 - The benefit for the bank will be business development, using the unique focus agencies have to reach groups they wouldn't normally.
 - A huge reputation boost to the banks who will be seen as caring for the community.

Exploring specific barriers in more detail

- Inequity of access to capital by Māori businesses compared to non-Māori businesses
 - Non-Māori businesses are more likely to be able to access capital than Māori businesses.
 - Māori businesses are required to go through longer processes and provide more evidence to get access to the same services as non-Māori businesses.
- Banks are not focusing enough on providing solutions for Māori consumers
 - Banks are making decisions and putting the problems on the consumer.
 - There seems to be more responsibility on the consumer rather than the banker.
 - The bank doesn't always promote the best products suited to the consumer.
 - Sometimes the true value of products offered are hidden and the consequences of breaching terms not fully explained. For example, credit risk, increased rates and penalty fees.
 - There is a continual lack of transparency in pricing making it hard to compare bank offers. There are also special prices that are not advertised anywhere and are only available to 'specific' customers.
- Differences in Māori consumer experiences with staff shape how consumers interact with their banks and how they feel about the sector
 - With banks reducing their physical branches, more and more interactions are conducted online or over the phone.
 - Each time customers call banks they will most likely get someone from the call centre. Experience in the call centre can vary with each call, and not all experiences are positive.
 - Physical branches also have varying experience in staff which can affect customer experience.
 - Discretion given to staff can be inconsistent depending on experience.
 - Sometimes there is conscience and unconscious biases.
- Usual models of affordability do not fit all circumstances such as seasonal work and small consultancy businesses
 - Those models fit with salary, employment and property backing the security.
 - Have a lower loan to value ratio for whenua Māori in difficult circumstances. The 20% deposit is unattainable for many Māori.

Exploring specific solutions in more detail - what can banks do better?

- Improve customer service to cater to Māori consumers
 - This would involve increasing staff capability in tikanga Māori and even using basic reo Māori to ensure consumers have a good experience
 - Enable pathways for Māori in the sector to share their knowledge and help shape the way banks serve Māori communities.
 - Support disabled communities, not only Māori but all cultures.

- Reward loyalty for customers who have stayed with the same bank and have all their services with the same bank
 - At times it becomes a punishment staying at the same bank, due to inertia customers don't get the benefit of switching regularly to claim new customer offers.
 - There should be benefits for loyal customers who don't switch, this would encourage them to remain with the bank and also encourage friends and family to join them.

- Have specialised Māori brokers who can navigate the communal landscape and deliver progressive outcomes for all parties
 - Have these brokers educate and explain the complex policies around Māori land and ensure all involved are treated fairly and with integrity.
 - These brokers must have sound understanding of the banking sector and be able to pass on that knowledge to the community.

- Develop and implement solutions in partnership with others
 - Some banks have been working collaboratively with Te Puni Kōkiri to support Papakāinga, specifically Kiwibank.
 - How can banks share knowledge about solutions that work to better distribute ideas.
 - Have shared infrastructure to support banking hubs, tackle fraud and build better capability across the board.
 - Where can banks and Māori groups collaborate to achieve the best outcome for all involved?

- Understand the impact of legislation on Māori
 - Specific reference was made to Te Ture Whenua Māori Act 1993
 - Banks taking security over the house on the land rather than the land itself because the land cannot be alienated feels paternalistic.
 - Parliament at the time enacted this legislation on Māori land with good intentions and purposes but the consequence is a barrier for Māori choosing what to do with their whenua and accessing the capital associated with it.
 - A solution to this barrier could be that the protections remain, but if everyone agrees that the land can be used for capital then it should be open to access.

- More awareness and use of non-bank providers
 - When failing to make headway with main banks for services like home loans, non-bank providers such as credit unions could be more helpful and more accommodating.
 - At times they can offer better deals and lend to consumers who do not meet the standard requirements for main banks.
 - Using non-bank providers as well as having a main bank promotes the practice of multi banking which allows consumers to shop around for the best offers.