

29 January 2025

[REDACTED]

Dear [REDACTED]

Official Information Act (OIA) request for information on “de-banking”

We refer to your request to the Reserve Bank of New Zealand – Te Pūtea Matua (RBNZ) of 12 December 2024 for the following:

Please can you provide any information you have regarding the prevalence of 'de-banking' in New Zealand. Please can you also provide any policy you have, as banking regulator, regarding de-banking. If no such policy exists, please can you provide any information you have concerning discussion and/or analysis of this matter.

By 'de-banking' I am referring to a bank, for its own reasons, withdrawing or refusing banking services to a business or individual because the bank disagrees with the legal activities of that business or person. Recent well-publicised examples include Gloriavale, 'Girls Get Off' (a provider of adult toys), and threats by a bank to withdraw banking from petrol stations.

The following is provided as a summary under section 16(e) of the OIA.

The RBNZ does not have any formal policy, as part of our regulatory functions, on debanking. We note that the decisions you've referenced are commercial decisions for banks. The role of the RBNZ is to raise awareness and provide guidance for regulated entities (including banks) on the risks that need to be managed to protect the resilience of the financial system. For example, part of this awareness and guidance for regulated entities includes stress testing. More information on stress testing can be found on the RBNZ website at: <https://www.rbnz.govt.nz/financial-stability/stress-testing-regulated-entities>.

The RBNZ is however exploring debanking in association with our work on financial inclusion. We are beginning to measure debanking for transaction accounts as part of our financial inclusion indicators and we anticipate these will be released later in 2025. We are also exploring the concept of a 'basic bank account' with reduced functionality and simplified onboarding to enable underserved groups to access banking services.

RBNZ's Thematic Review on Financial Inclusion Practices explored customer exiting/debanking issues and found that deposit takers are closing accounts for customers based on a variety of factors such as AML/CFT risks (real or perceived), insolvency or bad credit, account dormancy, and violent or aggressive customer behaviour. This Thematic Review can be found on the RBNZ website at: <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/regulation-and-supervision/thematic-reviews/rbnz-thematic-review-on-financial-inclusion-practices.pdf>.

RBNZ's AML/CFT Supervision team also undertakes financial inclusion discussions during on-site inspections with banks to understand the drivers and risk appetites for not providing banking services to certain types of customers.

Overall, debanking can lead to financial exclusion and we aim promote a financial system where all New Zealanders have reasonable access to financial products and services that meet their needs. We note however there are instances where debanking is used by banks to mitigate legal and reputation risks.

The RBNZ is also aware that in other countries we have seen a greater focus on this issue in recent times and movement towards identifying best practices for exiting/debanking a customer that strikes a balance between managing risk appropriately and financial inclusion.

You have the right to seek an investigation and review by the Ombudsman of this Official Information Act response. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

We intend to publish this response on the Reserve Bank's website at: www.rbnz.govt.nz/research-and-publications/official-information-requests. We do this in order to improve transparency and provide an additional resource for anyone seeking information.

Yours sincerely

Government Relations

Reserve Bank of New Zealand – Te Pūtea Matua