



Reserve Bank
of New Zealand
Te Pūtea Matua

Financial Inclusion Practices

Insights from the Deposit-taking sector

RBNZ Thematics team

11 December 2024

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Executive Summary

The Reserve Bank of New Zealand (RBNZ) recognises the vital role financial inclusion plays in supporting the prosperity, resilience and wellbeing of New Zealanders. Research suggests access to some financial products and services has been declining over the last decade which could result in higher levels of financial exclusion.

Deposit takers play a key role in promoting financial inclusion as they are often the entry point for customers into the financial system.

This thematic seeks to improve our understanding of financial inclusion practices and initiatives in the deposit taking sector, including the products and services offered as well as the challenges faced by deposit takers in providing these. It also seeks to identify and share good practices.

This is one component of our broader efforts of understanding and promoting financial inclusion as part of our strategic theme of *increasing participation*¹ and our Financial Inclusion Approach². Other work includes research on the customer onboarding experience due to be released next year, Māori Access to Capital, Access to Bank Accounts, Māori Data project, Cash System Redesign and the development of Financial Inclusion Indicators.

As part of this review, we engaged with 20 deposit takers supported by a desk-based review of relevant research and publicly available information on financial inclusion policies and practices in the deposit taking sector. Key insights, good practices and opportunities for further promotion of financial inclusion identified from the review are outlined below.

Key Insights

Strategy

- Financial inclusion practices and initiatives varied across deposit takers, largely driven by organisational strategy, size and nature of operations.
- Larger deposit takers have formal approaches to financial inclusion including specific strategies and processes while smaller entities reported that financial inclusion was embedded through their business models and culture.

Products, services and initiatives

- There was limited differentiation and innovation in products specifically designed to support financial inclusion, but greater variation in services offered, particularly to vulnerable customers³.
- A number of broader initiatives are being undertaken to promote financial inclusion. These include programmes focused at enhancing financial literacy and raising awareness of frauds and scams. There are also initiatives targeting specific customer groups such as Māori individuals and businesses, recent migrants and former prisoners.

¹ This is outlined in our [Statement of Intent](#).

² [Our Approach to Financial Inclusion - Reserve Bank of New Zealand - Te Pūtea Matua \(rbnz.govt.nz\)](#).

³ This term refers to people who, due to their personal circumstances, could be at greater risk of experiencing harm in their interactions with financial entities as per the [CoFR Consumer Vulnerability Framework](#).

- Digitalisation of banking services is becoming a common practice in the sector, with deposit takers largely adopting internet and mobile banking technologies to serve their customers. However, some deposit takers noted the importance of providing in-person and/or phone services to meet the needs of certain customer segments.

Challenges

Entities we met noted the following challenges:

- A lack of specialised staff, cost and limited revenue opportunities were seen as barriers to innovation and providing more specific products and services to support financial inclusion.
- Specific issues such as Customer Due Diligence (CDD) requirements were also identified as challenges to providing products and services to some customers.
- Responses suggested there is a low level of maturity in financial inclusion metrics to help guide decision making and review of the effectiveness of financial inclusion activities.

Good practices

We heard a range of practices that entities reported as positively contributing to financial inclusion during our engagements. RBNZ has not assessed the individual effectiveness or impact of these practices. However, from our discussions we expect the following practices are likely to have a positive impact on entities' financial inclusion work.

Strategy and Governance

- Having a formal strategy on financial inclusion with clear outcomes/objectives and metrics to measure effectiveness of initiatives and programmes.
- Setting the tone from the top with the Board prioritising and taking ownership of financial inclusion strategy and related initiatives and programmes.
- Reporting regularly on financial inclusion initiatives, progress and effectiveness to senior management and the Board.
- Assessing current products and services from a financial inclusion perspective, including accessibility and embedding financial inclusion considerations across the product life cycle i.e. design of products and services, sales practices and after-sales care.
- Considering financial inclusion in the provision of physical banking services.
- Engaging and building effective relationships with different customer segments to understand their needs and preferences for accessing banking products and services, including looking beyond the existing customer base to identify opportunities to enhance inclusion.

Policies and Initiatives

- Formalising policies and processes relating to financial inclusion, for example, vulnerability and hardship policies.

- Having targeted strategies and initiatives, for example, interpretation services for new immigrants, accessibility for disabled customers including braille services for the visually impaired and dedicated services for the elderly, such as priority phone lines for over 65-year-olds.
- Incorporating Māori financial inclusion as a core strand of financial inclusion efforts, including targeted efforts to improve Māori access to capital, noting positive changes across deposit takers participating in the Tāwhia Māori Bankers Rōpū.
- Offering financial literacy and fraud and scam educational sessions that are tailored to the needs of different customer segments.

Delivery

- Having dedicated teams and/or experts within the business to provide advice and support to frontline staff in serving different customer segments.
- Training staff to ensure they are aware of relevant policies and procedures that support financial inclusion and are able to appropriately serve vulnerable customers.
- Providing customers with optionality in how they interact with deposit takers based on their needs and preferences. This includes providing options for telephone banking and in-branch customer service.
- Forming partnerships with third-party service providers, including FinTechs, to support innovation and develop and deliver tailored financial solutions for vulnerable and underserved⁴ customers.

Data, Metrics and Targets

- Measuring financial inclusion to understand the customer base and identify barriers that can prevent some customers from accessing products and services.
- Using data and evidence to help inform decision making, for example, to assess the impact that branch opening hours or branch closures could have on impacted customer groups.
- Identifying outcomes and metrics needed to measure the effectiveness of initiatives and whether those outcomes are being achieved.

Opportunities

While this review has identified a broad range of good practices, we consider that more needs to be done by all stakeholders to promote a truly inclusive financial system.

We encourage all deposit takers to reflect on the good practices highlighted in this report and consider embedding these or strengthening their current practices where necessary, in proportion to their size and nature of operations.

⁴ This term refers to people who have limited access to financial products and services, and face barriers that can constrain their participation in the financial system (such as being geographically isolated etc).

We see an opportunity for greater engagement across industry, including with ourselves and CoFR where collective action and leadership could support an inclusive financial system. These include:

- **Measurement** – identifying and collecting financial inclusion indicators, data and metrics to support strategy, product, service and initiative development, reporting and assessment of effectiveness.
- **Inclusive customer onboarding** – increasing collaboration between regulators and deposit takers to support access to basic banking services in a timely and efficient manner.
- **Cash system redesign** – addressing challenges highlighted in our cash system redesign issues paper⁵, including the reduction in access to cash services for businesses and the public.
- **Māori access to capital** – building on the recent positive improvements among some deposit takers to support Māori access to capital and engagement between regulators, the private sector, iwi, Māori business and communities.

We are planning to increase our focus on financial inclusion activities as part of our engagements with deposit taking entities. This includes understanding how deposit takers are embedding financial inclusion practices across their organisation, noting that there will be variability in how entities develop and deliver financial inclusion initiatives.

⁵ [Future of Money - Cash system redesign - Issues paper](#)

Introduction

Financial inclusion is central to the RBNZ's strategic theme of 'increasing participation' within the financial system⁶.

While there are varying definitions of financial inclusion globally, we view an inclusive financial system to be *"one in which all New Zealanders have reasonable access to financial products and services that meet their needs"*. This is outlined in *Our Approach to Financial Inclusion*⁷.

Providing reasonable access to financial products and services empowers individuals, communities, and businesses to actively participate in and contribute to New Zealand's economy and society. Financial inclusion, therefore, plays a vital role in supporting the prosperity, resilience and wellbeing of New Zealanders. However, access to some financial products and services has been declining over the last decade. Research⁸ has also highlighted how some people and businesses face barriers that can constrain their participation in the financial system ('underserved' customers).

Across the RBNZ, various initiatives are underway to further our understanding of the financial inclusion landscape so that we can embed it in our policy development, strategies, collaborations, and work programmes. We also work closely with our Council of Financial Regulators (CoFR) counterparts through the CoFR Financial Inclusion Community of Practice⁹ to ensure a system wide approach.

One aspect of this work is furthering our understanding of deposit takers' practices relating to financial inclusion. The New Zealand deposit-taking sector consists of banks and non-bank deposit taking entities (NBDTs). NBDTs include credit unions, building societies (CUBS), and finance companies. Deposit takers are a key player in enabling financial inclusion through the provision of banking products and services. They guide customers to access products and services, support vulnerable customers, and undertake broader initiatives to enhance financial awareness and capability across New Zealand.

We have undertaken this thematic review to:

- improve our understanding of financial inclusion practices and initiatives in the deposit taking sector. This includes products and services offered to underserved and vulnerable customers¹⁰, as well as the challenges faced by deposit takers in providing these products and services; and
- identify insights and good practices that can be considered by all deposit takers.

This is the first time we have undertaken a comprehensive engagement across the deposit taking sector on the topic of financial inclusion. Given that the sector serves as an entry point for financial services, building an understanding of their offerings and initiatives is an essential step.

⁶ This is outlined in our [Statement of Intent](#).

⁷ [Our Approach to Financial Inclusion - Reserve Bank of New Zealand - Te Pūtea Matua \(rbnz.govt.nz\)](#).

⁸ Refer to Appendix 1.

⁹ [Financial Inclusion | Kaunihera Kaiwhakarite Ahumoni - Council of Financial Regulators](#)

¹⁰ Generally, retail customers, Small & Medium Enterprises & Not for Profit Organisations are susceptible to being underserved and vulnerable relative to wholesale customers.

The insights will provide valuable information to inform our decision making and assist in identifying appropriate next steps to support financial inclusion in the sector. These include our work on Māori Access to Capital, Access to Bank Accounts, Māori Data project, Cash Service Trials and the development of Financial Inclusion Indicators.

This review focuses on understanding the financial inclusion practices of deposit takers, including the strategies, policies, products, services and programmes offered. It does not provide an assessment of the relative effectiveness of those practices at enhancing financial inclusion. Monitoring effectiveness is an area where we are keen to see entities increase their focus and where we would like to work with them, for example, in developing financial inclusion indicators.

In addition, while this work focuses on the provision of financial inclusion initiatives and some of the challenges noted by deposit takers, it is equally important to understand customers' needs and the challenges they face in accessing financial products and services. Our customer onboarding research that will be released in the new year will provide a customer view to this topic, helping us build a more holistic picture of the financial inclusion landscape in Aotearoa New Zealand. We will also continue to engage with the public as part of our work on cash system redesign.

This report provides a summary of insights from the review. It highlights good practice efforts as well as opportunities to promote a more inclusive financial system.

Insights are not attributed to individual entities. However, where applicable, we have separately highlighted those for large banks, mid to small sized banks and NBDTs.

Approach

Our approach for the review involved desk-based research and targeted engagements with 20 deposit takers on a voluntary basis.

A desk-based review was conducted to inform our conversations with deposit takers.

We conducted a desk-based review that focused on understanding the products and services that deposit takers currently offer, existing research relating to financial inclusion in New Zealand (see Appendix 1) and better awareness of the challenges that customers can face in getting access to financial products and services.

Topics covered in this review included:

- Access to banking for Not-for-profits, including work by Community Networks Aotearoa¹¹.
- Access to banking for vulnerable customer segments, including research on access to banking for young people, recent migrants, and former prisoners¹².
- Māori financial inclusion, and research that highlights unique challenges and opportunities for Māori businesses, landowners and individuals¹³.
- Access to cash services for New Zealanders, noting that there have been rising difficulties for retailers and customers in accessing cash, particularly in rural communities¹⁴.

This selection of qualitative, customer centred research helped inform the design of our questions to explore how deposit takers support financial inclusion. Key areas of inquiry included how financial inclusion is reflected in their overall strategy, initiatives and measurement practices of deposit takers, along with targeted questions linked to issues and opportunities that have been highlighted as part of existing research.

We undertook targeted engagements to obtain insights on financial inclusion practices.

Majority of the insights in this report reflect the information provided to the RBNZ by deposit takers in a series of targeted conversations held over several months.

The methodology applied in the review focused on getting an institutional perspective on financial inclusion, noting that other research is being undertaken to understand financial inclusion from a customer perspective. We also asked participating entities to complete a short questionnaire on the financial data they collect after the engagement phase.

We had open and constructive discussions with all participating entities on their initiatives and practices relating to financial inclusion. We would like to thank all participating deposit takers for their cooperation and assistance during the review. Further details on the approach, scope and limitations of this review are outlined in Appendix 2.

¹¹ [Better Banking 2023 – Creating Ease of Banking for the Not for Profit \(NFP\) sector](#)

¹² See for example, the following reports: [Access to Banking in Aotearoa: Consumer Experience in the Financial Sector](#); Written Submission: MyMahi Petition (July 2023); and [Paying the Price – A report into issues prisoners face around access to banking](#)

¹³ [Improving Māori Access to Capital; Consumer Experience in the Financial Sector](#) and [Personal banking services market study](#)

¹⁴ [Rural towns invited to apply for cash service trials as challenges for cash users grow](#) - Reserve Bank of New Zealand - Te Pūtea Matua and [2023 cash use survey summary report](#)

Detailed Insights

1. Approaches to Financial Inclusion

Section Summary

This review found that there is broad awareness and general support for financial inclusion across the sector. Deposit takers we engaged with were able to describe how they supported financial inclusion through their decision making and highlighted areas of strength and possible improvement. While they noted they generally aim to support financial inclusion as part of their high-level strategy, we noted some variability in the emphasis, prioritisation and resourcing dedicated to financial inclusion among entities.

In undertaking this review, we sought to first understand deposit takers' approaches to promoting financial inclusion. This included considering their financial inclusion strategies and the related governance and resources available to support the delivery of their initiatives and programmes.

Financial Inclusion Strategies and Related Governance

Deposit takers' approaches to financial inclusion are often driven by factors such as organisational strategy, tone from the top, business model, size of operations and resourcing capacity.

Having a clear strategy on financial inclusion allows entities to identify appropriate initiatives and determine the allocation and prioritisation of required resources. This ensures that financial inclusion gets adequate attention at all levels of the organisation.

Boards play a key role in an entity's approach to financial inclusion by setting the strategic direction and tone to promote an inclusive approach to providing banking products and services. Adequate reporting to the board on financial inclusion strategies and initiatives ensures accountability and supports the board in its oversight responsibilities.

We noted that for some entities, financial inclusion efforts were primarily about serving their customers and providing the right products that meet the needs of communities. This included making banking easy for people and reaching out to serve niche communities where there are gaps in the market.

Across the sector, we found that the focus of financial inclusion related strategies mainly relates to providing high-quality services for existing customers. Only a few entities were noted to be also focusing on identifying and engaging with vulnerable segments or individuals who remain outside of the deposit taking sector.

Large Banks

Larger banks have a structured approach towards financial inclusion, through either having specific financial inclusion strategies or embedding it in their overall business strategy.

We found that financial inclusion strategies for most large banks mainly focused on assisting their existing vulnerable customers, while some have extended their focus to include improving financial literacy and financial wellbeing.

Some large banks also emphasised the importance of embedding financial inclusion across all processes and levels of the organisation. For example, applying a financial inclusion lens to product design and development, risk and compliance, and customer care and support.

In terms of reporting, some large banks had established measures to track progress and report to the board (or relevant committees) on a periodic basis. Such reporting included progress on financial inclusion initiatives along with customer feedback. Some entities also developed dashboards that reported on customer outcome metrics and vulnerability initiatives and measures.

Mid to small sized banks

The majority of the mid to small sized banks did not have specific strategies on financial inclusion. However, they noted that their business models embrace financial inclusion, as a concept that aligns with their vision, purpose and organisational strategy. The strategies for most mid to small sized banks was reported to be largely focused on serving niche markets such as particular regions, economic sectors (agriculture, building and construction) or customer segments (migrants and retirees).

We found that most of these mid to small sized banks often consider customer vulnerability, with processes in place for assisting vulnerable customers.

NBDTs

Generally, NBDTs did not have specific financial inclusion strategies. However, similar to mid to small sized banks, financial inclusion was reported to be a core part of their purpose and values. NBDTs noted they largely focus on niche customer segments and underserved regions as part of their business model.

Some NBDTs highlighted that they serve customers from lower socioeconomic households and customers who may find it difficult to access credit offered by banks due to various reasons. These included variable income earners, people with low credit ratings or lack of business history for new SMEs. A few NBDTs reported having a particular focus on specific customer segments such as retirees.

We heard that reporting to the board by mid to small sized banks and NBDTs on matters relating to financial inclusion largely focus on customer complaints and feedback data collected as part of normal business operations.

Good Practice

Good practices that we noted from the review included:

- Having clear and formal strategies relating to financial inclusion which aligns with the overall organisational strategy.
- Communicating clearly how an entity supports financial inclusion in strategic decision making to all levels of the organisation and the public.
- Monitoring and reporting specifically on the progress of financial inclusion strategy, initiatives and programmes to the board (or its relevant committees) periodically.
- Identifying outcomes and metrics needed to measure the effectiveness of initiatives and whether those outcomes are being achieved. These include metrics that focus on financial difficulties¹⁵ and the number of customers using the Extra Care team and the specific services they request.
- Having financial inclusion strategies endorsed by the Board or its relevant committees.
- Taking a broader approach to financial inclusion beyond a focus on vulnerable customers and embedding financial inclusion considerations across the product life cycle. This includes design of products and services, sales practices and after-sales care.

Resourcing

Adequate resourcing, in terms of both capacity and capability, is important for the implementation of financial inclusion related strategies, and the delivery of supporting initiatives and programmes. However, this is likely to be specific to the entities business model. Board and senior management play a key role in ensuring sufficient resources are available to the entity to achieve its financial inclusion goals.

We saw that most large banks had dedicated teams, such as Extra Care teams, or staff to assist frontline personnel in dealing with vulnerable customers.

Having dedicated teams to support financial inclusion enables entities to take a deliberate approach in engaging with customers and communities. Such engagements assist in understanding their needs and possible barriers that can impact access and consider improvements to service delivery. It also assists in setting targets and an associated work programme to improve financial inclusion over time.

Generally, we found that mid to small sized banks and NBDTs did not have dedicated teams or staff responsible for driving financial inclusion initiatives. This is reflective of their overall resourcing capacity. These entities often consider financial inclusion to be part of their normal business operations. Staff at such entities support initiatives and programmes as part of their daily work practices. We also note that a minority of banks and NBDTs were not able to participate in this review due to a lack of capacity or a limited focus on financial inclusion.

¹⁵ For example: (1) Hardship Time to decision metric which measures how quickly Financial Difficulty issues are resolved, and a good indicator of support. (2) Customer Assist Quality Conversations metric which measures the quality of conversations/outcomes for all customers in financial difficulty and those customers in vulnerable circumstances beyond financial difficulties.

We did not gather enough specific information on the effectiveness of programmes undertaken by entities to determine whether current resource levels were sufficient. This is an area entities should consider as part of their monitoring and reporting, including conducting regular reviews to determine if resourcing is sufficient.

Good Practice

Good practice that we noted from the review included:

- Having dedicated staff, resources or expertise to support the delivery of financial inclusion initiatives and programmes.

1. Banking Product and Service Offerings

Section Summary

Deposit takers largely offer standardised products to individuals, with some benefits for SMEs and NFPs while varying types of services are being offered to different customer segments, particularly the vulnerable. We noted variation in the extent to which deposit takers supported inclusive product and service delivery. Some entities primarily spoke to initiatives they have to improve the delivery of services for a diverse range of communities. However, it was less common for entities to discuss changes that they made to the design and features of deposit and lending products they offer to meet the needs of particular communities.

We reviewed the types of deposit and lending products that enable individuals, Small and Medium Enterprises (SMEs) and Not for Profit Organisations (NFPs) to access the formal financial system, and the services offered to these customers by the deposit-taking sector.

Key insights from our review on banking products and services are summarised below.

Banking Products

Individual Customers

Transactional accounts and personal loans are two key products that are essential for individuals to access basic banking services and credit.

Most deposit takers offer transactional accounts and personal loans, except for some mid to small sized banks and NBDTs¹⁶.

We found that transactional account and personal loan products offered by deposit takers were largely standardised in nature.

¹⁶ While Finance Companies do not offer transactional accounts, majority of the CUBS do offer these accounts.

Transactional accounts

Some notable features of transactional accounts that support financial inclusion include¹⁷:

- **Minimum opening balance:** almost all deposit takers do not require a minimum opening balance for transactional accounts.
- **Fees:** approximately a third of the deposit takers charge no transaction fees, with the remaining offering relatively low fee accounts. Some deposit takers also offer fee waivers on transactional accounts based on customers age (for example youth), minimum account balance or minimum amount being deposited each month.
- **Accessibility:** for majority of the deposit takers offering transactional accounts, funds in these accounts can be accessed using debit cards. Where debit cards are not offered, payments can be conducted via internet or mobile banking while cash can be accessed through a branch. Certain deposit takers would require the transfer of funds to an account held with another bank that offers debit card.

During our engagements, we found that preliminary work is being undertaken by certain large banks on a framework for basic bank accounts. This highlights the potential for deposit takers to tailor the features of transactional accounts to meet the needs of the excluded¹⁸ and vulnerable customers. Such initiatives also align with CoFR's current work with the industry on the matter of access to bank account¹⁹.

Personal loans

We found that interest rates charged by banks and NBDTs²⁰ for personal loans were comparable, although banks charged lower application fees.

Some NBDTs we engaged with highlighted the limitations posed by the affordability regulations under the Credit Contracts and Consumer Finance Act 2003 (CCCFA). They stated that the prescriptive nature of the requirements was burdensome for some customers and had led to an increase in the administrative cost associated with processing such loans. We note that the affordability regulations were recently removed, and the Responsible Lending Code was revised following consultation, resulting in less prescriptive requirements for assessing loan affordability²¹.

Small and Medium Enterprises (SMEs)

Access to credit is critical to the growth and expansion of SMEs. However, this can be challenging for some SMEs due to the absence of adequate collateral, insufficient credit history and the high-risk nature of their business.

We found that large banks currently lead SME lending in the sector²², however their market share has been declining in recent years²³.

¹⁷ This is based on data collected during the desk-based review phase for all locally incorporated banks and NBDTs, including entities that we did not engage with.

¹⁸ Financially excluded customers are those without access to financial products and services. This can include people who face structural barriers and people who have lost access (for example, had an existing transaction account closed).

¹⁹ [Financial Inclusion | Kaunihera Kaiwhakarite Ahumoni - Council of Financial Regulators \(cofr.govt.nz\)](#)

²⁰ This is based on data collected during the desk-based review phase for all locally incorporated banks and NBDTs, including entities that we did not engage with.

²¹ [Overly-prescriptive CCCFA regulations scrapped | Beehive.govt.nz](#)

²² This is based on data collected during the desk-based review phase for all locally incorporated banks and NBDTs, including entities that we did not engage with.

²³ Also referred to on page 9 of the [RBNZ's Submission on Finance and Expenditure Select Committee Inquiry into banking competition](#)

Most mid to small sized banks and some NBDTs also lend to SMEs, largely targeting particular regions, economic sectors (such as agriculture, construction and hospitality) and smaller sized businesses.

Some key insights from the review on SME lending are as follows:

- Loan products available for SMEs were generally vanilla in nature, with some benefits being offered by most deposit takers. These benefits include low, or no fee business accounts and small business support programmes.
- Some smaller deposit takers highlighted limited capital and a lack of specialist staff as key barriers for lending to SMEs in certain sectors.
- All deposit takers reported requiring some form of security for SME loans. This generally included first-ranking mortgages over residential or commercial property and guarantees from business owners.
- Common reasons for declining loans to SMEs noted by deposit takers included the lack of adequate security, inability to meet loan affordability criteria, not satisfying customer due diligence requirements and an absence of a successful business track record.

Not for Profit Organisations (NFPs)

NFPs such as charitable trusts play a key role in the community through the provision of social services and serving the vulnerable. However, these entities can be susceptible to being excluded from the financial system due to various reasons.

We found that, similar to SMEs, the sector offers standard deposit and lending products to NFPs with some benefits in the form of no fees or fee waivers.

While transactional accounts play a primary role in facilitating NFPs' banking needs, some deposit takers reported challenges in offering banking services to them. These include challenges associated with meeting Enhanced Customer Due Diligence (ECDD) requirements under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/ CFT Act) (see section 5) and administrative barriers. For instance, we heard that the process for changing signatories for NFPs can be time consuming, which may cause a hold up in conducting their day-to-day banking.

Services

Services offered by deposit takers ensure that customers can easily access banking products to meet their financial needs. For this review, we examined the types of services offered to vulnerable customers.

All deposit takers we engaged with recognised the important role they play in providing inclusive services. We found that they offer varying types of services to vulnerable customers, with large banks taking the lead. Some examples of such services are:

- Interpretation services such as translation services for those who do not have English as their first language (in-branch and at ATMs).

- Accessibility services for the disabled:
 - Braille services for visually impaired customers (including braille on ATMs and EFTPOS/debit cards).
 - Facilitating communication such as sign language services for the hearing impaired and text-to-speak services for those who struggle with their speech.
 - ATMs having wheelchair access with lowered heights.
- Dedicated services for the elderly such as telephone banking services, including priority phone line for over 65-year-olds.
- Free to use co-working spaces in dedicated areas across the country that are suitable for small business owners.

Good Practice

Good practices that we noted as part of the review included:

- Demonstrating inclusivity and tailoring services to meet the diverse needs of vulnerable customers, including disabled individuals, the elderly, and SMEs.
- Supporting financial inclusion through:
 - active review of services against the needs of specific groups.
 - unbundling transactional services from lending/debt to improve accessibility for customers who have been made insolvent.
- Engaging with consumer groups, community networks and financial mentors to understand how the design of products and services can better meet the needs of particular communities.
- Undertaking targeted research to better assess barriers that prevent people from accessing products and services.

2. Financial Inclusion Policies, Programmes and Initiatives

Section Summary

Deposit takers reported having a range of policies, initiatives and programmes to promote financial inclusion. These often wrap around existing products and services, targeting and providing additional features to specific customer segments. Formalised policies and procedures tended to focus on dealing with hardship and vulnerable customers. Most entities had more general programmes aimed at enhancing financial literacy and reducing risks of frauds and scams. Some deposit takers had specific initiatives focused on Māori financial inclusion. Generally, financial inclusion initiatives were supported by staff training programmes.

Insights on key policies, initiatives and programmes offered by the sector are summarised in the sections below.

Internal Policies and Procedures

Formalised policies and procedures support entities in delivering their financial inclusion strategy, initiatives and programmes. They provide clarity, ensure transparency in approach and enable consistent practices across the organisation.

Most entities we engaged with noted that they had dedicated frameworks and policies for supporting financial inclusion. This included customer vulnerability frameworks, exceptions handling processes, hardship processes, measurement and reporting frameworks and customer service procedures.

Some reported that having documented policies and processes helped in supporting customer outcomes and improve the accessibility of their products. However, we found that the maturity of policies and processes varies amongst deposit takers, with larger banks reported having formalised policies and processes in place.

Vulnerability and Hardship Policies

- Most banks reported that they have policies and processes in place to assist staff in identifying and serving vulnerable customers. These policies were generally based on the guidance issued under the CoFR Consumer Vulnerability Framework²⁴.
- All banks have hardship policies that cater primarily for customers who are financially vulnerable. The policies allow for proactively identifying such customers and working with them to address any concerns. This includes referring identified customers to budgeting services, restructuring of loans and providing repayment holidays.
- Two banks we engaged with have system capability to flag customers experiencing vulnerable circumstances. Customer flagging²⁵ enables frontline staff to capture important information on the drivers of vulnerability. This includes information such as a customer having a disability,

²⁴ The CoFR Consumer Vulnerability Framework acknowledges that customer vulnerability is a matter of circumstance rather than any type or group of people. [CoFR-Consumer-Vulnerability-Framework-April-2021.pdf \(fma.govt.nz\)](#)

²⁵ Customer flagging was often conducted with prior consent from the customer.

that then helps entities in making their services appropriate or more accessible based on the customer's needs.

- All NBDTs stated that they consider vulnerability when dealing with customers, including financial vulnerability. While some of these entities have formal policies for supporting customers facing financial hardship, they do not always have documented policies and procedures for serving vulnerable customers. Some NBDTs were in the process of developing these to be able to better support their staff.

Customer Due Diligence (CDD) Exception Handling Policy

- Most deposit takers have processes in place for applying exceptions for certain CDD requirements (where permissible) under the AML/CFT Act. However, some highlighted that they rarely apply exceptions as a risk averse approach to avoid incurring penalties associated with the misapplication of the exception requirements.

Other Policies

- Some deposit takers have also factored financial inclusion into their existing policies and processes relating to product design and development, customer onboarding, and to some extent, credit assessments.

Good Practice

Good practices that we noted from the review included:

- Having formalised policies and processes to support the delivery of financial inclusion strategies, including embedding financial inclusion into existing policies and processes.
- Reviewing policies and processes relating to financial inclusion to ensure they remain fit for purpose.
- Developing frameworks and policies for assisting vulnerable customers in line with the CoFR Consumer Vulnerability Framework.
- Having system capability to flag customers experiencing vulnerability to assist in proactively identifying and serving such customers.

Programmes

Financial Literacy

Financial literacy promotes financial inclusion by improving the financial wellbeing of individuals and businesses by helping them to make informed financial decisions.

We found that activities relating to improving financial literacy were one of the most common initiatives across the deposit taking sector, with large banks taking the lead. Examples of these include:

- Educational programs offered through schools and community workshops. For instance, a large bank reported collaborating with the MyMahi initiative²⁶, which is an online learning platform that offers financial literacy courses along with other courses to school students²⁷.
- Learning and educational materials and resources made available on deposit takers' websites.

Some deposit takers noted that there is an opportunity to strengthen partnerships with community organisations and educational institutions to enhance the delivery and reach of financial literacy initiatives.

Good Practice

Good practices that we noted from the review included:

- Collaborating with government and non-government agencies, and educational institutions on financial literacy initiatives.
- Having tailored financial literacy and educational workshops for specific customer segments. For example, financial literacy workshops in schools and communities and home ownership workshops for Māori and Pasifika families.

Fraud and Scam Awareness and Prevention

Initiatives centred on fraud and scam awareness and prevention were common across the sector and seen as being an important contribution to financial inclusion. Such initiatives are increasingly becoming a key focus for most entities as they respond to the growing occurrence of frauds and scams in the face of digitalisation of banking services. This assists in safeguarding customers' interests and retaining their trust and confidence.

²⁶ MyMahi

²⁷ The initiative is aimed at Year 7 to 13 students.

Good Practice

Good practices that we noted from the review included:

- Having dedicated resources and educational materials (such as videos) and using a wide range of channels to raise awareness, for example, social media platforms, emails, advertisements, workshops and information sessions held at branches.
- Facilitating targeted educational sessions to cater for the needs of elderly customers and less digitally literate customers which can make them more susceptible to frauds and scams.
- Enhancing the security features of visa debit and credit card by providing a dynamic security code.
- Alerting customers on possible fraudulent transactions via text message or email.

Initiatives Targeting Specific Customer Segments

We found that some deposit takers also had initiatives aimed at supporting specific customer segments. The initiatives stemmed from the recognition of the different needs of customers, particularly the vulnerable. These needs are usually identified through the deposit takers' engagements with customers, community groups and other stakeholders.

Examples of such initiatives include:

- Facilitating specialised financial workshops and mental health services for farmers.
- Providing translation services for migrants from the Chinese and Indian communities.
- Having fee waivers for migrants, such as fee free banking for international students, or a 12-month fee waiver for those arriving on resident or working visas.
- Improving access to bank accounts by soon to be released prisoners.
- Assisting dementia customers through dementia friendly banking, including training staff to appropriately respond to the needs of such customers.
- Undertaking preliminary work on a framework for basic bank account.
- Facilitating homeownership and governance workshops for Pasifika and Māori communities.
- Partnering with third parties to assist vulnerable customers, particularly those who are facing financial hardship and include services such as debt consolidation and no interest and interest free loans to eligible customers.
- Working with community groups and non-government organisations to discuss issues relating to vulnerable or underserved customers.
- Having simplified loan processes for SMEs, depending on business sizes and complexities.
- Providing technical expertise to assist NFPs in their operations.

Māori Financial Inclusion

We noted that some deposit takers were particularly focused on improving financial inclusion for Māori through targeted strategies and initiatives. These entities spoke about the strategic opportunities that are associated with a growing Māori population and economy, and a need to design and deliver products and services that meet the needs of Māori communities.

Insights on key initiatives relating to Māori financial inclusion are summarised below.

Lending on Whenua Māori

Some deposit takers discussed the initiative underway to support lending on whenua Māori, which was seen as an opportunity to help Māori communities and businesses to prosper.

Practices around lending on Māori land that we noted included:

- General awareness of the Māori Land Court Practice Note on lending on whenua Māori²⁸.
- Collaborative work underway as part of the Tawhai Māori Bankers Rōpū to improve lending on whenua Māori²⁹.
- Internal work to review products with respect to lending on whenua Māori. For example, specific Māori partnerships and lending programmes, changes to the treatment of long-term leasehold structures and reassessing practices around collateral requirements.

However, lending on whenua Māori remains a challenge for some entities. For example:

- Some smaller deposit takers noted that they have limited capacity and expertise to undertake this type of lending. There were also concerns on the unique ownership structures, land transferability and reputational risk associated with default.
- A minority of deposit takers also noted challenges around the pipeline of bankable development opportunities and the financial and governance capability among Māori entities.

Improving Outcomes for Māori Trusts

Some deposit takers noted that Māori trust structures, such as Māori land trusts, were an area of underinvestment in the economy that are underserved due to administrative and regulatory challenges.

The key challenges that deposit takers noted in our engagements in serving Māori Trusts included changing ownership structures, discrepancies in names and formal documents, and needing to verify the identity of multiple owners. There are also succession challenges where people are not formally replaced through the Māori Land Court. As part of our engagements, we found that administrative and regulatory complexities in serving Māori trusts impacted the appetite among some entities to serve these customers.

²⁸ [Practice Note for Lending on Whenua Māori released | Māori Land Court \(xn--morilandcourt-wqb.govt.nz\)](#)

²⁹ [Māori Bankers Rōpū established - Reserve Bank of New Zealand - Te Pūtea Matua \(rbnz.govt.nz\)](#)

Improving Internal Capability and Representation

Some deposit takers noted that improving staff representation and capability was an important component of supporting Māori financial inclusion. Examples of practices observed include:

- Having staff representation mirror the communities they serve. For instance, having a larger number of Māori staff where Māori representation is high. This can help staff to relate to customers through shared understanding and experiences.
- Having staff dedicated to establishing and maintaining Māori business relationships.
- Undertaking cultural awareness and capability training among staff, including an uplift in the use and understanding of Te Reo Māori.

Good Practice

Good practices that we noted from the review included:

- Having a deliberate approach to improve Māori access to banking services and capital.
- Engaging with Māori entities through surveys and customer outreach to understand their characteristics, product and service needs, and challenges they are experiencing.
- Engaging with the Māori Land Court to share information to improve document handling and verification of trustee information for Māori land trusts.
- Having relationship managers with banking for Māori trusts and businesses background. This includes an understanding of collective governance and legal structures and on-boarding requirements.
- Improving internal staff representation to ensure that entities better reflect the customers they serve and running internal staff capability training programmes.

Staff Training

Appropriate training on financial inclusion related policies and processes ensures staff awareness and empowers them to appropriately serve customers. It should be complemented by having measures to evaluate the effectiveness of training. Customer feedback should also be incorporated into the training materials.

We found that deposit takers generally reported providing training to their staff. However, the nature and frequency of training differed. For instance:

- Most banks reported that they provided some form of formal training to their staff on relevant policies and processes relating to financial inclusion³⁰. Some noted they use digital tools such as intranet portals to keep staff informed of policy updates and to provide refresher training on a periodic basis.
- NBDTs largely had a less formal approach on creating staff awareness on relevant financial inclusion related policies. Having a smaller number of staff, we heard that they often adopted face-to-face training, including team discussions and on-the-job training.

Good Practice

Good practices that we noted from the review included:

- Providing staff with regular training to ensure they are aware of relevant policies and procedures relating to financial inclusion.
- Reviewing staff training materials content regularly.
- Training frontline staff so that they can appropriately identify and serve vulnerable customers.
- Ensuring documented policies and procedures are easily accessible by all staff.

³⁰ This includes customer onboarding requirements and identifying and serving customers experiencing vulnerability.

3. Accessibility to products and services

Section summary

There has been a declining trend in the number of physical access points, such as bank branches, across the country. Deposit takers noted ‘push and pull’ factors influencing how they provide access to their products and services. Increased digitalisation of banking services can bring significant benefits, but physical bank facilities continue to be vital for some customers. Many entities noted the importance of maintaining physical banking services and having multiple channels of engagement to support customers with diverse needs and preferences. We consider it important that deposit takers take into account financial inclusion when determining their physical presence.

Physical Access Points

One of deposit takers’ most important contribution to financial inclusion is the provision of physical banking services. Physical banking networks support access to banking products and services and enable access to cash services. They also support in-person customer onboarding, providing an option of opening accounts through face-to-face interactions.

During our engagements, we sought to understand deposit takers’ practices relating to the provision of physical banking services (including regional presence), the factors influencing their decisions in this regard and the emerging opportunities and challenges.

The scope of our review, however, did not include analysing whether customers or regions have adequate access to physical banking services, or the impact of any reduction of branch hours.

Notwithstanding this, we note the number of physical bank branches and ATMs decreased significantly between 2011 and 2023, largely driven by the large banks, as shown in Figure 1 below.

Figure 1. Number of branches and ATMs operated by the five major banks between 2011 and 2023.

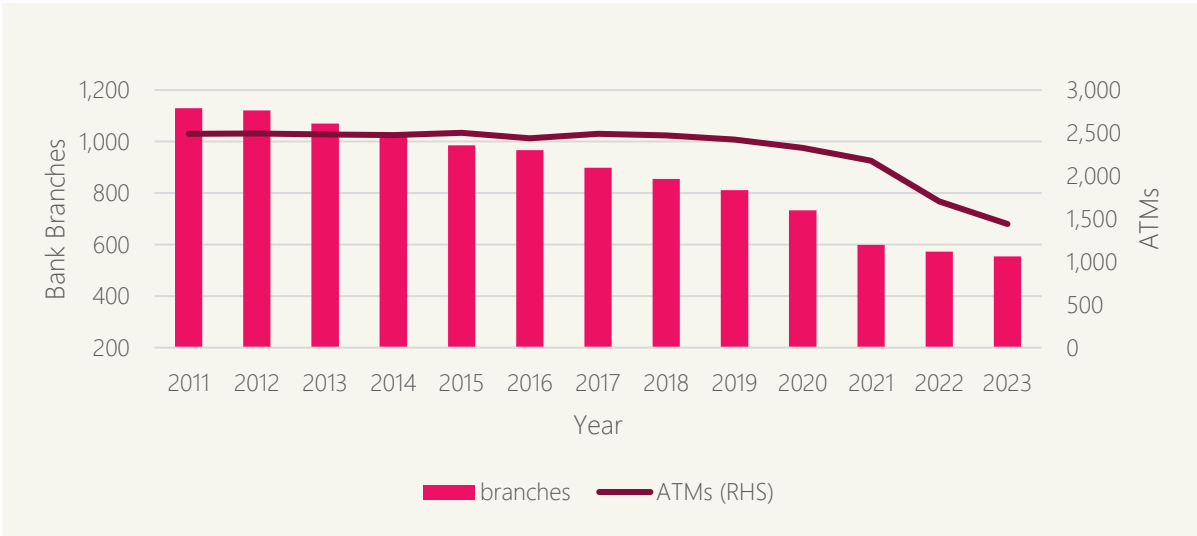


Figure 1 shows that in the last 12 years, the trend of declining bank branches has been consistent across New Zealand with a 32 – 45% total reduction in the number of branches and ATMs for the large five banks.

We note that the reduction in the number of physical bank branches often stems from changing commercial incentives and reduced demand from consumers to use over-the-counter banking services (in favour of using digital services). However, this transition presents significant challenges to financial inclusion, particularly affecting certain customer segments and broader communities.

Regional Presence of Entities

There is variation in regional physical access points across the deposit taking sector³¹. We note that:

- Large banks are widely present across the country and concentrated in the main regions of the North and South Islands, with rural presence varying by region.
- Other deposit takers (mid to small sized banks and NBDTs) have a niche presence in targeted regions throughout the country. Finance companies are predominantly located in a few urban centres such as Auckland, with limited presence in rural areas.

Outside of regions with physical bank branches, customers can access banking services through digital platforms and telephone banking services.

Factors Impacting Physical Banking Presence

Deposit takers reported 'push and pull' factors between providing physical banking services and digital banking. We found that they consider several factors when deciding on whether to maintain or extend physical banking networks. These include:

- Usage of services and customer demand.

Access to cash services

This thematic review is one part of the RBNZ's work on financial inclusion. In addition to access to banking services, access to cash remains a key component of financial inclusion. As part of our Future of Money programme, we are working to ensure the public can get and use cash.

Some people rely on cash for their daily needs, so it is important to make sure cash is available for them to buy essential goods and services. However, the need for cash goes beyond this. People who do not often use cash now may need it in the future, especially as they age. Even those who don't rely on cash today might find themselves needing it during difficult times, like illness, crisis events or pandemics.

The Future of Money work program recognises that a monetary system must support different ways of being and doing. The system must provide genuine choice and meaningful opportunities for people to exercise agency in their lives. This means more than just access to cash and digital money. The system must be reliable and trusted, make money available in various ways and locations, and include appropriate support services like financial education. In this way, our 'cash system redesign' is looking at the cash system in a holistic way.

The RBNZ is dedicated to ensuring the public has meaningful choice in the types of money they have available to them. A policy program is being developed to address the challenges covered in the cash system redesign issues paper. The challenges include the decline in the overall number of bank branches, which have almost halved since 2000 (a 45% reduction). The reduction in bank branches and free-to-use ATMs is concerning as it threatens the viability of the cash system.

³¹ This is based on data collected during the desk review phase for all locally incorporated banks and NBDTs, including entities that we did not engage with.

- The impact of branch closures on particular customer segments.
- Cost of operations.
- Securing staff who are willing to work in branches, particularly in rural areas.
- Security concerns relating to cash handling.
- Securing a viable property, particularly in small rural areas.
- Exposure to climate related risks.

Many deposit takers we engaged with have noted the importance of maintaining existing branches to support financial inclusion. However, most entities have reported a limited appetite for expanding their physical presence and are relying on their digital access points to expand their reach. Deposit takers have highlighted how digital banking solutions can provide them with the opportunity to enhance their operational capability, expand reach, and streamline processes such as identity verification as part of CDD requirements.

Digital Access Points

There is a clear trend towards adopting digital means for providing access to banking services across the sector. This is largely driven by the need for efficiency, customer convenience, and the ability to reach a broader audience. The trend is also accelerated by advancements in technology, making digital platforms more accessible and user-friendly. While enhanced digital access and service provision can have significant benefits for many customers, if it is accompanied by a reduction in physical and phone services, it does raise the potential for exclusion of some customers, particularly those less digitally savvy.

We found that majority of the deposit takers offer digital banking services, including internet and mobile banking, and continue to enhance their digital offerings. Some key insights from the review include:

- Larger banks are offering more comprehensive digital banking platforms with a wide range of features compared to the rest of the sector. They have also adopted advanced technology for customer service such as chatbots and automated complaint management systems.
- Most banks allow customers to open accounts and apply for loans online. However, some mid to small sized banks and NBDTs only allow customers to conduct basic transactions and check account balance online. These entities are gradually introducing more advanced features.
- For most NBDTs, adoption of technology is gradual due to cost constraints, with some exploring opportunities to partner with FinTechs.
- Most deposit takers highlighted that the usage of digital banking services by elderly customers is relatively low due to concerns around fraud and scams. They also tend to be less familiar or capable of utilising digital platforms and applications.
- The majority of the deposit takers continue to offer telephone banking services despite its diminishing popularity over the years. Telephone banking and in-branch assistance remain as the common approaches for supporting vulnerable customers, particularly the elderly and people with lower digital capabilities.

Despite the increase in digitalisation of banking services, we note that the network of physical bank branches continues to be vital for customers. This particularly includes those who solely rely on physical networks to access banking services. We also note that some customers may use physical banking services or prefer in-person methods of engaging with deposit takers, even if they are not solely reliant on it.

RBNZ has work underway as part of the Future of Money programme which includes an objective to ensure that central bank money continues to be available to the public when they need it for use in economic, cultural, and social contexts (thereby supporting financial inclusion). RBNZ will continue to undertake an extensive work programme aimed at restoring access to cash in communities that have inadequate access and supporting cash acceptance across Aotearoa New Zealand.

Good Practice

Good practices that we noted from the review included:

- Considering financial inclusion in the provision of physical banking services. This includes having data and evidence on impacted customer groups to help inform decision making around branch opening hours or branch closures.
- Having branch opening hours that meet the needs of customers, such as having opening hours on weekends or outside of regular work or school hours.
- Providing customers with optionality in how they interact with deposit takers based on their needs and preferences. This includes providing options for telephone banking and in branch customer service.
- Partnering with FinTechs to provide innovative solutions to vulnerable customers, for example, innovative debt consolidation.

4. Onboarding and Offboarding

Section summary

Deposit takers are increasingly adopting digital solutions for opening accounts and onboarding customers, with third-party identity verification software being commonly used. In-person account opening remains a common practice for certain customer segments, with home visits being undertaken on a case-by-case basis to open accounts. Common reasons for deposit takers to offboard customers include customers failure to meet AML/CFT requirements, involvement in fraud or criminal activity, bankruptcy or insolvency and abusive behaviour towards staff.

Opening a bank account, i.e., onboarding, is an important step in the journey of the unbanked³² towards accessing banking products and services in the formal financial system.

Offboarding³³ can have significant ongoing implications for customers. As part of this review, we discussed with deposit takers their practices for onboarding and offboarding customers. Key insights are summarised below.

Customer Onboarding Practices

Deposit takers have varying approaches for opening accounts. This is mainly driven by their level of technological adoption and the complex needs of different customer segments. Generally, deposit takers provide customers with the option to open accounts digitally, in-person or through a hybrid approach, depending on their needs and preferences.

Crucial to any deposit taker's customer account opening and onboarding procedures is ensuring compliance with the customer identification and verification requirements under the AML/CFT Act.

Digital account opening allows customers to fully open an account online, either through the entity's website or mobile banking application. There is a clear trend in the sector towards fully opening an account online for retail customers due to its convenience. We found that majority of the banks and NBDTs have adopted digital account opening processes, with large banks taking the lead. Third party identity verification software are being commonly used across the sector to aid in opening accounts digitally.

In-person account opening remains a common practice across the sector, particularly for customers who may need additional support or have limited access to digital platforms. These include children, the physically disabled, people with limited digital capabilities and entities such as SMEs and NFPs.

Where customers are unable to visit a branch to open an account, most deposit takers will undertake home visits on a case-by-case basis. Other alternative verification methods such as video calls are also used.

³² This term refers to individuals who do not have access to the mainstream financial system (e.g., banks or credit unions). People that are unbanked rely on alternative products and services to meet their financial needs (e.g. cash).

³³ Offboarding, or exiting, refers to decisions made by a deposit taker to cease or terminate a business relationship, so that it does not continue to offer its services to a customer. These occasions may arise for a variety of reasons, for example, due to a customer's credit rating or money laundering risk.

We also found that a hybrid approach for opening accounts was a common practice for certain customer segments such as migrants and international students. This approach includes initiating the account opening process online followed by a visit to a branch for account activation.

Good Practice

Good practices that we noted from the review included:

- Training staff to ensure they are aware of the processes for onboarding customers, particularly the vulnerable. This includes the requirements under the AML/CFT Act and the exceptions that would apply in certain circumstances.
- Undertaking personalised outreach efforts such as targeted home visits to facilitate access and onboarding of customers who are unable to visit a branch or open accounts digitally.

Onboarding challenges

Entities noted a number of challenges in relation to onboarding generally focused around CDD requirements. The RBNZ is currently undertaking financial inclusion research with ThinkPlace New Zealand to understand customer onboarding processes and practices in more detail. High level findings from this review are noted below.

Deposit takers highlighted that verifying identification documents for name and date of birth, and proof of address as required under the AML/CFT Act can be challenging for some customers. In particular, address verification (for example, by providing utility bills) was identified as a key challenge preventing them from providing services to certain customers³⁴.

Some deposit takers reported that they have introduced initiatives to improve the identity verification process for some vulnerable customer groups. For example, one large bank has an initiative, in conjunction with the Department of Corrections, that allows soon to be released prisoners to open an account while they are still incarcerated.

One deposit taker reported that they have particular expertise in opening accounts for victims of domestic violence.

Deposit takers also highlighted that some customers lack understanding of the information and documentation requirements they need to meet as part of the CDD process. This lack of awareness may result in customers viewing the requirements as a burden of entry into the banking system, hence deterring them from completing the account opening process.

We also found that most deposit takers find it challenging to conduct ECDD³⁵ for certain customer types, such as charitable trusts and NFPs. They find the ECDD process for such entities to be resource intensive, particularly in terms of verifying beneficial owners and obtaining the amount of documentation or information needed to satisfy the requirements of the AML/CFT Act.

³⁴ Some examples of impacted customers are those who may not have a stable accommodation. These include recently released prisoners, people recovering from drug addiction, youth in state care, victims of domestic violence who are living in safe houses or temporary accommodation, rough sleepers and refugees. Also impacted can be those living as flatmates and adults living with their parents.

³⁵ The ECDD process requires deposit takers to use increased or more sophisticated measures and obtain and verify information relating to the source of wealth and/or source of funds.

Potential Improvements

We note a number of proposed changes to the AML/CFT Act as part of current reforms³⁶, such as allowing reporting entities to take a risk-based approach to address verification³⁷ and consideration of reducing ECDD requirements on low-risk trusts³⁸.

Deposit takers see an opportunity for regulators to provide further guidance or allow simplified procedures to deal with the challenges associated with ECDD requirements.

Some deposit takers also suggested opportunities for greater collaboration across the sector in terms of sharing best practices for opening accounts for underserved or vulnerable customers.

Customer Offboarding Practices

As part of this review, we also discussed with deposit takers their reasons for involuntarily offboarding customers. This excludes circumstances in which a customer may request to have their accounts closed.

Common reasons provided by deposit takers for offboarding customers included:

- Customers' failure to meet AML/CFT documentation requirements when asked. For some customer groups such as trusts, these have to be regularly reviewed.
- Involvement in fraud or criminal activities such as money laundering.
- Customers who have been declared bankrupt or insolvent.
- Abusive behaviour towards staff.

Good Practice

Good practices that we noted from the review included:

- Having clear internal policies in place where customers are only exited as a last resort once all other options are exhausted.
- Exploring options to have online only accounts for people who have been trespassed from branches to maintain minimum banking services.
- Reducing services or unbundling products to avoid exiting customers. This includes maintaining transactional accounts for people who have bad credit history or have been declared insolvent but removing access to overdraft or credit products.
- Measuring and analysing customer exits and having regular reporting to the board or senior management to ensure appropriate oversight.

³⁶ [Changes to AML/CFT Act regulations | New Zealand Ministry of Justice](#)

³⁷ Refer to Part 2 of the [Statutes Amendment Bill 80-1 \(2024\)](#), that was released for public submission on 24 October 2024.

³⁸ Refer to Page 56 of the [cabinet paper released on 24 August 2024](#).

5. Financial Inclusion Data

Section summary

Some deposit takers are collecting valuable information relating to financial inclusion. However, improvements in the quality and consistency of data being collected are needed to better understand the financial inclusion landscape, improve decision making and targeting of financial inclusion practices and evaluate their effectiveness across the sector.

Data and information are key to understanding how deposit takers support financial inclusion over time. It also aids in decision making and helps in monitoring the progress of financial inclusion initiatives against targets.

As such, we used a questionnaire as part of this review to understand the information and data deposit takers collect on financial inclusion. We asked about data on customer base and the policies and processes surrounding the classification and collection of information.

Aggregated findings on entities data and information collection processes are provided in Appendix 3 and summarised below.

Overall, we found that deposit takers are collecting valuable information relating to financial inclusion. Of those that completed the questionnaire, we found:

- A majority of deposit takers have information that is readily available on the age, income, gender and location of customers.
- Only a minority of deposit takers collect information on ethnicity, with privacy considerations under the Privacy Act 2020³⁹ being the key challenge.
- None of the deposit takers measure the number of Māori and non-Māori individual customers they serve.
- Larger deposit takers have started to capture information on Māori entities⁴⁰ by manually recording them. This indicates progress towards measuring the extent to which entities support Māori access to capital through lending.
- Deposit takers have information on location, income and annual turnover readily available for their business customers. However, fewer entities collect information on the industry make up and size of entities they serve by number of employees.
- Deposit takers were able to identify unique customers, and a majority had data readily available on the total number of customers they serve.
- Some deposit takers were able to identify the common banking channels that their customers were using. They were also often able to estimate the number of customers who rely solely on physical banking services.

³⁹ [Data privacy - data.govt.nz](https://data-privacy.data.govt.nz)

⁴⁰ For example, Iwi entities, Māori Incorporations, Ahu Whenua Trusts or Marae committees.

We also noted that deposit takers have various approaches for measuring and reporting data and information relating to financial inclusion. For example:

- There are inconsistencies in how decisions are recorded on which customers are declined access to banking products and services.
- Only a minority of deposit takers measure the number of customers who are unsuccessful in opening an account due to various reasons.
- For lending, a greater number of entities collect information on the number of declined applications. Some entities also record the stage⁴¹ at which applications are declined.
- Not all deposit takers reported being readily able to provide information on the number of customers whose accounts had been closed, and the reason for closure.
- A majority of entities have existing processes for identifying and closing dormant accounts.

Additionally, insights gathered from the questionnaire revealed that there are remaining areas where improvements could be made over time. These include:

- Measuring Māori financial inclusion for individual and business customers.
- Understanding the impact of account closures on customer groups.
- Measuring the number of customers who are declined transactional accounts and lending products, and the reason for declines to understand key barriers to access.
- Improving consistency of how data is recorded and definitions of core concepts when measuring financial inclusion.
- Reporting publicly on financial inclusion data and using targets to monitor the effectiveness of initiatives and programmes.

The information provided in this review will help inform future data collection efforts at RBNZ. For instance, the work currently underway in relation to the development of financial inclusion indicators.

⁴¹ For example, the stage at which entities have made an initial inquiry but are not proceeding with an application after receiving further advice or information.

Concluding Remarks

This review has provided a picture of existing financial inclusion efforts across the deposit taking sector. While the review has identified a broad range of good practices, we consider that more needs to be done by all stakeholders to promote a truly inclusive financial system.

Financial inclusion provides deposit takers with an opportunity to recognise the important role they play in serving their communities, including assisting the unbanked and vulnerable customers to have access to financial products and services that meet their needs.

A focus on financial inclusion is an opportunity for entities to achieve inclusive growth in their deposit base and increased trust from their customers, ultimately supporting their social licence to operate and contribute to the prosperity and wellbeing of New Zealanders.

Next Steps

We encourage all deposit takers to reflect on the good practices highlighted in this report and consider embedding these or strengthening their current practices where necessary, in proportion to their size and nature of operations.

We commend the efforts undertaken and innovative practices implemented across the deposit-taking sector and see opportunities for more targeted strategies aimed at identifying and engaging individuals who are underserved or excluded.

We also see an opportunity for greater engagement across industry to share experience and best practice, through forums such as Tawhai Māori Bankers Rōpū. Additionally, there are areas where collective action and leadership could support an inclusive financial system.

Four key areas where the RBNZ intends to work with industry in the short term are:

- **Measurement:** We note that there are significant gaps in transparent and available information on how financial inclusion is supported by the deposit taking sector, and on an entity level. The RBNZ has work underway to measure levels of financial inclusion, including access to bank accounts, access to cash services, and access to capital. We encourage and are interested in working with entities to measure how they are providing New Zealanders with reasonable access to financial products and services.
- **Inclusive customer onboarding and access to basic banking services:** We note that further efforts are required to ensure customers can easily access fundamental products and services. The RBNZ will continue to work collaboratively with CoFR and deposit takers to support improvements in access to basic banking services. We also encourage entities to reflect on best practices in providing transaction accounts and making improvements to promote inclusive onboarding practices.
- **Cash system redesign:** We will continue to work on addressing challenges highlighted in our cash system redesign issues paper, including the reduction in access to cash services for businesses and the public.
- **Māori access to capital:** We note positive improvements among some deposit takers to support Māori access to capital through tailored lending products and initiatives. We want to continue to work alongside the private sector, iwi, Māori business and communities to improve Māori access to capital, as a vital contribution to a thriving Māori businesses and Māori economy.

Financial inclusion is central to promoting wellbeing and prosperity. Deposit takers have a key role to play in promoting financial inclusion across New Zealand. It is an area where we expect to enhance our engagement with entities over time to understand how they are embedding financial inclusion practices across their organisation and the impact these are having.

Appendix 1: List of Financial Inclusion Research

Agency/ Entity	Report/ Research Title	Weblink
Commerce Commission	Personal banking services market study (2024)	https://comcom.govt.nz/_data/assets/pdf_file/0019/362035/Final-report-Personal-banking-services-market-study-20-August-2024-Amended-27-August-2024.pdf
Community Networks Aotearoa	Better Banking 2023 – Creating Ease of Banking for the Not for Profit (NFP) sector (2023)	irp.cdn-website.com/96a27c73/files/uploaded/Community Networks Aotearoa Better Banking 2023 Report.pdf
Westpac NZ	Access to Banking in Aotearoa (2023)	https://www.westpac.co.nz/assets/Personal/life-money/documents/Westpac-NZ-Access-to-Banking-in-Aotearoa-Report.pdf
Financial Market Authority	Consumer Experience in the Financial Sector (2022)	https://www.fma.govt.nz/assets/Reports/FMA-Consumer-Experience-with-the-Financial-Sector-Survey-2022.pdf
FinCap	Paying the Price – A report into issues prisoners face around access to banking (2023)	https://www.fincap.org.nz/images/files/FinCap-Paying-the-Price-Final-25-June.pdf?_cchid=731b932f73431e3742f883e581bf944a
FinCap	Voices - Indicators of financial wellbeing for whānau supported by financial mentors in 2021 and 2022 (2023)	https://www.fincap.org.nz/images/files/FinCap-Voices-report-2022.pdf
Petition of MyMahi	Make it easier for young people to open a bank account	https://www.parliament.nz/resource/en-NZ/53SCPET_EVI_1ef2f054-2701-4f79-0322-08db5a64c54a_PET4443/5e9eee3c628d3c0dd9342a96617b56b16bc1ece1
RBNZ	Improving Māori Access to Capital (2022)	https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/consultations/maori-access-to-capital/improving-maori-access-to-capital-issues-paper.pdf
RBNZ	2023 Cash use Survey	https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/notes-and-coins/future-of-cash/2023-cash-use-survey-summary-report.pdf

Appendix 2: Detailed Scope and Limitations

Scope

The review was undertaken in two phases:

- **Phase 1** involved desk-based research to collect relevant quantitative and qualitative data of all locally incorporated banks and NBDTs from internal sources and publicly available information, and review of research on financial inclusion.
- **Phase 2** consisted of short and targeted engagements on a voluntary basis with 20 deposit takers⁴².

We also asked participating deposit takers to complete a short questionnaire after the engagement phase to understand the data they collect on financial inclusion.

The detailed scope for each phase of the review is outlined in the table below:

Phase	Scope
Phase 1	Desk review of research on financial inclusion. Collection of data and information on the following for each deposit taker: <ul style="list-style-type: none">• Entity-specific business profile and models• Types of products and services offered and their features• Account opening requirements• Points for physically accessing banking services• Available distribution channels for products and services
Phase 2	Engagement with entities were primarily centred on the following: <ul style="list-style-type: none">• Financial Inclusion strategy and initiatives• Policies and practices to support initiatives• Challenges faced and opportunities to foster inclusion• Financial Inclusion data collection

Limitations

The limitations of this review are as follows:

- We have not undertaken an assessment of the effectiveness of the practices identified in promoting financial inclusion.
- We note that many non-regulated entities also contribute to the financial inclusion agenda through the provision of financial products and services. However, this review focuses only on regulated deposit takers given the scope of our regulatory mandate.

⁴² This included a mix of locally incorporated banks and NBDTs of varying size and nature of business.

- While financial inclusion also extends to access to insurance products, we focus on the deposit taking sector for the purposes of this review. This is because transaction banking represents a fundamental entry point for financial services.
- Insights on challenges associated with opening accounts and onboarding customers are based on perspectives of deposit takers we have engaged with. It does not include perspectives of customers.

Appendix 3: Financial Inclusion Data Collection Practices⁴³

Category	Information / data	Proportion of participating entities collecting information	
Customer base	Demographic information that entities collect and maintain (individuals)	Address	100%
		Rural/urban split	72%
		Age	100%
		Income	72%
		Gender	89%
		Ethnicity	6%
	Demographic information that entities collect and maintain (non-individuals)	Address	100%
		Rural / Urban split	72%
		Māori / non-Māori	22%
		Income	78%
		Turnover	67%
		Industry	17%
		Number of employees	17%
	Collect information on the number of deposit customers who rely on their entity for day-to-day banking services.		56%
	Able to estimate the proportion of customers who rely totally on physical or in-person banking services		33%
	Uses a unique identifier to identify individual customers		100%
	Able to provide information on number of customers (deposit and lending)		83%
	Collect information on customer channel usage and access points	Use of online/internet banking	67%
		Mobile banking app	61%
		Branch tellers	44%
ATMs to withdraw and deposit cash		50%	

⁴³ Data in this table is based on the number of entities that responded to each of the corresponding question in the questionnaire. 18 of the 20 entities we engaged with provided responses to the questionnaire.

Category	Information / data	Proportion of participating entities collecting information	
Policies and processes	Volume and value data is collected for transaction accounts	77%	
	Able to provide information on the number of dormant or inactive accounts	61%	
	Provided classification used for a dormant or inactive account	89%	
	Able to provide information on the number of closed accounts	56%	
	Record the number of applications declined for both opening of accounts and giving loans, where a formal application has been received	Account opening (individuals)	39%
		Account opening (businesses)	39%
		Lending (individuals)	89%
		Lending (businesses)	89%