



28 September 2005

S05.48

Submission to the NZ Bankers' Association on the Review of the Code of Banking Practice

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 40 nationally organised societies. It has 32 branches throughout the country attended by representatives of those societies and some 150 other societies. The Council's function is to serve women, the family and the community at local, national and international levels through research, study, discussion and action.

This submission is the result of collating facts and viewpoints from the many members throughout New Zealand who responded to questions asked in the monthly newsletter *The Circular*. The questions were based on the information provided by the New Zealand Bankers' Association in their recent review.

General Statement

According to the television commercials Mr Goldstein receives the best personalised attention when he obeys the command, 'Go to the bank!' Other banks tell us that they 'want to get to know us' or are 'one step ahead' and so on. The Bankers' Association should be pleased to learn that the images banks like to project are generally matched by the experiences of NCWNZ members and their families, therefore members feel confident that any anecdotal evidence to the contrary contained within this submission, will be noted and rectified.

Specific Comments

Members responded to the following issues:

1. **The Code assured readers that credit cards will not be provided unsolicited :-**
 - (a) **Evidence of breaches of this rule?** Members noted that there is still a problem with unsolicited increases of credit limits. This can cause budget problems, especially with beneficiaries, some of whom believe the available credit is actual money in their accounts. Three members who are budget advisers reported cases of clients losing any creditworthiness they may have had once their debts had gone to credit agencies. One eighteen year old received a credit card from a bank, with a two thousand dollar limit, straight after his birthday. Most members however had not witnessed any breach of the code on this matter.
 - (b) **Usefulness of credit cards :-** Comments included
 - credit cards being cheaper than using cheques;
 - make for cheaper on-line bookings for travel, theatre, internet sales, also useful for mail order purchases, travel bookings;
 - some cards offer travel insurance and reduce the need to carry cash, especially overseas;
 - minimises risk of theft as cards can be cancelled readily;
 - can be used for identification purposes;
 - a boon when emergency travel is required, eg funerals;





- several members recommended using one's credit card for all transaction as there is only one fee to be paid at the end of the month and an accurate record of transactions is supplied with statements.

But as one NCWNZ Branch put it: 'extremely useful as a way of saving money for those capable of controlling their spending, and as a way of wasting money for those who can't.'

2. Sound advice on investing funds?

- a) Answers varied but the majority were positive. One member reported how she invested in a well-known bank (Australian) to find it losing value rapidly. After four years the value of the amount was restored without any gain being made. Others commented that advice to transfer surplus funds from cheque accounts to savings accounts was generally favoured, although several members noted a bias towards investing in the bank itself. Yet others reported that sometimes the best advice given was to seek legal advice first, especially when the death of a spouse put the surviving widow or widower in charge of household or family funds not previously under their supervision.
- b) **Pressure to purchase extra products?** Most members replied in the negative. Although other products, e.g. insurance, had been offered, few members felt pressured. One reported finding better products elsewhere while another found the travellers' cheques offered to be useless. In several banks, it is part of a bank officer's terms of employment to sell extra products and a former bank employee told of 'mystery customers' who came to 'spy on' tellers. Market targets are understood to be part of business practice but NCWNZ believes they should be realistic.

3. Information and privacy

- a) **Are banks consistent about such matters?** Several comments referred to the open-plan nature of most banks allowing people in queues to overhear verbal transactions. Occasionally a hard-of-hearing customer may need a teller to speak loudly, thus revealing details. A frequent complaint related to the process for changing the signatories of bank accounts, whether for business or community organisations. Members appreciated the need for security but wondered if too many forms were required. Rural customers sometimes find telephone transactions unsatisfactory. Another mystery is why some banks supply monthly statements while others provide them only infrequently. Another member received a bank statement from a large Christchurch business in with her own.
- b) **Are the charges realistic?** All responses noted there was no charge for advice. There were objections to extra charges for a copy of a bank statement or for making a deposit at a teller's counter. It was felt that leaflets in the mail or on bank counters provide enough information. Few members seemed to know that state superannuitants were not supposed to be charged fees. One wry comment was, 'Banks use your money so should pay you for the use of it!'

4. The Code does not specifically refer to female customers

Are you aware of any overt or covert discrimination? Many responses referred to the 'bad old days' when a husband had to verify the bona fides of a wife when transferring an account or requesting a loan. "In this competitive market banks cannot afford to give out that message any more," wrote one respondent, words which reflected the majority view. There is concern however, that elderly customers experience a level of intimidation in large banks. Relative poverty, poor eyesight plus lack of confidence can make banking a problem whether at the counter or via the telephone.



5. **Other comments** included the following:
- Failure of some shop assistants to check signatures and/or photographs;
 - Telephone services too centralised;
 - Need for better education on the use of credit cards, including in schools;
 - Bank profits being too high;
 - Lack of the 'personal touch';
 - Some perceptions that banks are only interested in large accounts
 - Query as to why in this electronic age verification of cheques still takes ten working days.

It was felt that the following three experiences, while individual ones, are worthy of inclusion in context of this review.

- A. **From a Budget Adviser:** 'For low income clients or clients who have no savings ability, then I do not believe banks allow enough leeway for checking their accounts without charging them extra fees. In this electronic world where everyone must own a bank account, it is ridiculous that for clients who need every last cent, the cheapest way is to pay in cash, to avoid bank charges. Bank account criteria change so often it is impossible to always use the appropriate account. My clients do not have the ability to keep on top of these changes due to no phone to ring the bank, no money for bus fares, no stationery or stamps to notify a change of account. Banking is a real trap for many of my clients. They can get hefty charges added for the likes of honour fees, i.e. when bank charges come out first leaving inadequate money for AP payments, because they cannot afford to check the account and are not notified until later. I do not believe that clients are informed adequately, of steps to put in place to avoid these unexpected charges, when first opening their bank accounts. Banking has become a true art for low income clients, and sadly often they are the least able to understand that art.'
- B. 'I applied for a Hire Purchase a few months ago and one week later received in the mail my account balance and a GE card which I was told can be used as a Visa card and as an ATM card for purchases anywhere. It had additional available funds well above the Hire Purchase as the credit level. I explained that I did not want another credit card and was told that this was standard practice, that all GE Finance customers were issued with one and that it was needed so the customer number could be used if I apply for any Hire Purchase at other stores among a long list made available. I paid the Hire Purchase immediately and returned the card. I am still receiving statements despite cancelling – and actually never activating the card. While GE Finance is not a bank it is clearly linked to Credit Card (Banking Services) through Visa. This struck me as a very aggressive form of forcing credit on to the unwary.'
- C. This correspondent had been overseas and was overcharged interest on her account. On return she visited her local bank twice to query it and was assured that it was correct. She was not satisfied so wrote to the manager, saying; *'I have an arrangement with my bank that my monthly balance is paid in full by automatic payment so there is no chance that I will fall into arrears...'* She made some specific requests pertaining to reimbursement. The letter in response from the bank noted, inter alia, *'The excess amounts of on your statements ... were charged in error. (Bank) Credit Cards is aware of this problem and we are currently working to resolve this issue. I would like to apologise for the error on your statements and any anxiety this may have caused you and assure you that the necessary steps have been taken to address this issue...'*

The bank response begs the questions: What would have happened if the customer hadn't noticed the error? And how many customers haven't checked? Do the banks' systems have enough checks and balances to notice and redress such situations without prompting?



Conclusion

As noted at the beginning of this submission members have generally responded favourably to all issues raised. The number of negative experiences has been relatively low but should not be ignored as banks strive to improve their services. It is recognised however, that new technologies in banking provide more opportunities, more rapid responses to demand and usually more security. For women in New Zealand there can be confidence in the efficiency of the banking system the like of which is not experienced in poorer countries where usurious money-lending is rife.

Thank you for the opportunity to participate in this review.

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