

**Good Shepherd New Zealand, June 2025**

# **Submission: Access to Basic Transaction Accounts**

## **About Good Shepherd New Zealand**

Good Shepherd New Zealand (GSNZ) is a charitable non-governmental organisation focused on two of the biggest issues facing women and girls in New Zealand – poverty and family violence – and challenges that stem from these. We want women, girls and their families to be safe, strong, well and connected.

We make a positive impact for women and families faced with two specific challenges:

- High-cost unmanageable debt
- Economic abuse and harm from family violence.

Our services help to reduce harm while providing people with new opportunities. Our efforts to drive and support system change help stop harm before it happens and reduce the impact of harm when it has occurred.

## **General Comments**

We are strongly supportive of work being done to improve financial inclusion for underserved customers. Many people throughout New Zealand struggle to access banking, many of whom are already vulnerable or in hardship. Through our services we do see people who are forced to use family members or friends bank accounts instead of having their own. Access to banking and financial inclusion is particularly challenging for those experiencing family violence economic abuse.

Economic abuse is a form of family violence that uses coercive, controlling, and threatening behaviour to restrict or remove a person's financial freedom, autonomy, and security. It is experienced in close personal relationships, particularly intimate partner relationships, and often occurs alongside other

family violence behaviours. Examples include restricting a person's access to money for food and clothing for them or their children, controlling the use of property such as a mobile phone or vehicle, misusing money in joint bank accounts, building up debt in the victim's name, and preventing victims from obtaining or maintaining employment. Research shows that 15% of ever-partnered women have experienced economic abuse<sup>1</sup>.

Economic abuse has long-lasting impacts on a victim's financial wellbeing and economic participation. They may end up severely indebted, with a ruined credit score and no source of income. They may have fled their home without any possessions (such as proof of identity) and now have no fixed address. These factors all have serious impacts on their ability to access banking and traditional finance.

Specific issues faced by those experiencing family violence economic abuse, which impact their access to banking can include:

- No fixed address or proof of address as they have fled their home and may be sleeping rough, with friends/family, or at a safe house
- No ID, either because it's been taken by an abuser or because it was left when they fled
- Low financial literacy because their partner has controlled all finances previously
- An existing bank account which she no longer has access to, or which an abuser has access to and is exploiting
- No car or alternative transport to get to a branch
- A low credit score due to debt that was forced, coerced, or taken out without their knowledge.

The above issues can also be a challenge for those in financial hardship, not just people experiencing abuse. Making changes to support financial inclusion has broader benefits for a number of cohorts in need.

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<sup>1</sup> Mellar, B. M., Fanslow, J. L., Gulliver, P. J., & McIntosh, T. K. D. (2024). Economic Abuse by An Intimate Partner and Its Associations with Women's Socioeconomic Status and Mental Health. *Journal of Interpersonal Violence*, 39(21-22), 4415-4437. <https://doi.org/10.1177/08862605241235140> (Original work published 2024)

## **Responses to questions for engagement:**

### **1. Do you agree this Issues Paper identifies the key problems associated with access to transaction accounts in Aotearoa New Zealand?**

While this Issues Paper covers some of the key issues in accessing banking in New Zealand, it is missing recognition of the role family violence and abuse plays in inhibiting victim-survivors ability to access banking.

The RBNZ/Thinkplace paper 'First steps to financial inclusion' notes that the key issues in opening a bank account were "lack of proof of address, complex paperwork, lack of photo identification, language barriers and lack of access to a bank branch (i.e. over-the-counter banking services)". People in financial hardship and those experiencing abuse are likely to have experienced at least one of these issues, if not multiple at the same time. Any issues analysis in this work programme needs to consider how challenges intersect and compound for certain cohorts, and how basic bank accounts can address this.

### **2. Do you agree that efforts should be taken by banks and regulators to improve access to transaction accounts in Aotearoa New Zealand?**

Yes. There are clear expectations from legislation, the Financial Markets Authority, the New Zealand Banking Association, and through the Banking Ombudsman that banks have processes and policies in place for vulnerable consumers. It is essential that this include those who are locked out of banking, not just those who are already customers of their products. We need to ensure that all banks provide a minimum standard of good practice to support vulnerable consumers, and ideally competition within the sector will help banks move beyond a minimum standard over time. Encouraging banks to improve access to transaction accounts puts impetus on institutions to rethink their product offerings and develop innovative solutions.

As noted in the Issues Paper, bank accounts are often the gateway to other financial products and services. In an increasingly digital world, lacking access to a bank account can lock people out of housing, employment, and utilities – especially when cash is no longer accepted. Access to these services is particularly important for people trying to rebuild their lives after an abusive relationship.

### **3. Do you agree with the definition of a basic transaction account used in this Issues Paper?**

*“A basic or simplified transaction account provides basic banking services to individuals who may have difficulty accessing traditional banking services. Basic transaction accounts are designed to meet daily banking needs of underserved customers, be affordable for people to open and use, and have reduced functionality to enable streamlined and simplified on-boarding.”*

Missing from this definition is the fact that these customers are often unable to access banking through no fault of their own, but due to systemic or structural barriers. Many underserved customers have difficulty accessing banking because of external factors – the actions of an abuser, the location of a branch, a language barrier. Therefore, these customers are not inherently a higher risk for the bank in the same way as a customer experiencing financial exclusion due to poor or fraudulent financial decisions may be. They simply need a slightly different approach to remove these barriers. Providing a basic transaction account is therefore about ensuring *equitable* access for those customers, and as noted in the Issues Paper, this may mean a small cost absorbed by the bank but have wider reaching benefits for the system at large and the bank itself as customers move on from a basic account to other products.

### **4. Do you agree with our objective to improve access to transaction accounts through promoting the widespread availability of basic transaction accounts?**

Yes, but this needs to be done in tandem with other changes that promote financial inclusion more broadly. Improving access to transaction accounts requires more than the provision of a new product, it also requires training of staff, exploring new platforms and modes of offering services, and other shifts. We support the implementation of recommendations in various reports such as the ‘Westpac Banking in Aotearoa Report’, the RBNZ ‘First steps to financial inclusion’ report, and the Fincap/Victoria University ‘Steps to Freedom’ research.

## 5. Do you agree that all New Zealanders should have the right to access a basic transaction account?

Yes, but think it's important to be clear who the target audience for this product is. Different cohorts experience financial exclusion for different reasons. As noted above, a victim of economic abuse may struggle to access banking for very different reasons than an elderly person with limited digital literacy and mobility. Someone who has recently declared bankruptcy from poor financial choices will have different needs again. Basic bank accounts should be open to anyone who would benefit from it, but banks will need to tailor their approach to the needs of these different cohorts. The creation of basic bank accounts alone will not solve all the needs of these individuals and banks will still need to consider the individuals circumstances when they apply.

## 6. What features do you think a basic transaction account should have? (see page 30 of the Issues Paper for more information)

There will be trade offs required in the development and design of basic bank accounts. The below features need to be considered alongside each other, not in isolation. Accounts should be designed in a way that prevents their ability to be abused by a controlling or violent partner. For example, we support flexible identification requirements given victims of abuse often leave behind licences/passports/etc when they flee the relationships. However, if no transaction limits are adopted (which we support), we do not suggest having no verification requirements as this can open up the victim to exploitation by an abuser taking out a basic bank account account in their name. The needs of different cohorts accessing basic bank accounts will be different, and the design of the product should embed appropriate flexibility to support these needs.

In this submission we have assumed that the basic bank accounts will be individual accounts, not joint accounts. We suggest that basic bank accounts should be available to individuals only.

Feature	Comment
<i>Simplified onboarding, including no verification or digital verification and paperless record-keeping</i>	Agree, simple onboarding and flexible identity verification requirements are essential. We support paperless record-keeping as many people may not have a fixed address, or may need

	to keep their address a secret for safety reasons.
<i>Transaction limits and balance caps</i>	Disagree, as people starting fresh may need to make larger one-off purchases (e.g a car). They may also have settlements from court processes come through, or need to transfer balances from existing joint accounts with ex-partners. Suggest there be a process built in to allow this if caps are set.
<i>No cost accounts and no minimum balance requirement</i>	Agree that this should be no cost, not low cost. For many people even small amounts of \$10-\$20 mean they cannot afford other essential expenses. Agree to no minimum balance requirement.
<i>No debt or overdraft</i>	Agree, many people accessing this account may have significant debts already and overdrafts may lead to further debt burden.
<i>Online payments</i>	Agree, people starting fresh after abusive relationships may have to make purchases to get back on their feet. Online shopping may also be the main option for those who live rurally or don't have good transport options.
<i>Direct debit and automatic payment functionality</i>	Agree, this is necessary to ensure that people can pay bills, rent and other essentials, especially those which often have prompt payment discounts or other benefits.
<i>No time limit or forced migrations to traditional bank accounts</i>	Agree, it can take a long time to recover from violence and abuse. However, the account should be framed as a stepping stone, not a forever option, as the ideal result is transitioning them into a standard account so they have access to the

	wider financial system (e.g. mortgages).
<i>A formal refusal process for customers declined a basic transaction account</i>	Agree, customers have the right to understanding why they have been refused and the bar should be set high for grounds of refusal. The process for refusal should also include what a customer could change/improve to be accepted if they apply again, make it focused on support rather than rejection.
<i>Available via multiple access points (online vs in person)</i>	Agree, but suggest there needs to be protections in place to ensure abusers aren't able to gain access to the new account.
<i>Other</i>	<p>Many victims of abuse end up with a ruined credit score because of debt the abusers gets them into. Credit scores should not be considered for basic bank accounts. It was also be interesting to consider how a basic bank account could help a customer rebuild their credit score?</p> <p>The Issues Paper notes some jurisdictions have a requirement that users do not have another bank account. We would be strongly against this being implemented, as many victims escape their abusers but still technically hold joint or individual bank accounts which they can no longer access or close.</p> <p>There is also a need for banks to improve their training and processes for working with victims of family violence. Staff should be appropriately</p>

	trained to understand the specific needs of these customers.
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**7. Which of the following approaches do you think would be most effective in Aotearoa New Zealand to make basic transaction accounts widely available?**

We support the introduction of regulatory requirements. This would ensure consistency of process and practice across banks, and provide a stronger push for them to introduce basic bank accounts than an operational approach. It also removes any fear that introducing new products would be anti-competitive behaviour. It gives banks explicit mandate to introduce basic bank accounts. While we acknowledge that the Commerce Commission guidelines help, our opinion and experience is that banks have a very high awareness of potential breaches of competition law and this can prevent any collaborative activity, even if it would be of public benefit. A regulatory approach also more explicitly allows for enforcement activity. Any regime without appropriate enforcement risks non-compliance going unchecked.

If a regulatory approach proves overly time and resource intensive, we support the hybrid approach.

**8. Do you have any suggestions on how to improve access to basic transaction accounts that are not outlined in the Issues Paper?**

We support the development of basic bank accounts as part of a suite of wider action to improve financial inclusion. We support the implementation of recommendations in various reports such as the 'Westpac Banking in Aotearoa Report', the RBNZ 'First steps to financial inclusion' report, and the Fincap/Victoria University 'Steps to Freedom' research.

This should include changes to legislation, regulation, and at an operational level to be most effective and should involve players from across different sectors.

For example, GSNZ and Financial Services Federation are partnering to create a code of practice that can be used by member organisations who want to support survivors of family violence economic abuse. Co-design of the code for FSF members has begun. Further codes of practice will also be developed for the energy, telecommunications, and financial advisor sectors. We see benefit of a similar product being developed for the banking sector, similar to the Australian



Banking Association *Industry Guideline: Preventing and responding to family and domestic violence*. A guideline or code of practice would help improve banks understanding of family violence and economic abuse, and help them better support financial inclusion for those struggling to access banking services.