



Banking  
Ombudsman  
Scheme

# MAKING BANKING BETTER

Annual report summary 2020-2021

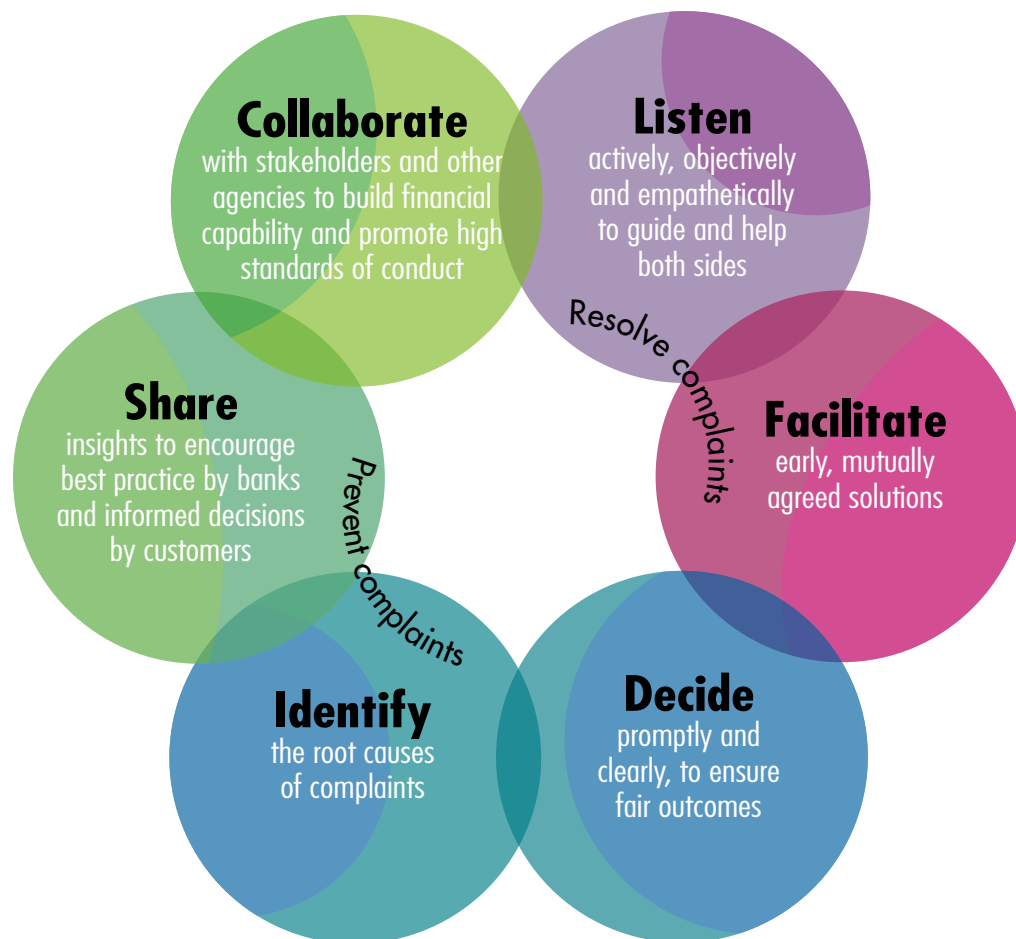
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**We help resolve and prevent banking problems. Our service is free and independent.**

The financial statements are available on our website

# What we do - resolve and prevent banking problems



## better banking

### Our purpose

To help resolve and prevent problems to improve banking for customers and banks

### Our values

We provide a service that is accessible, independent, fair and efficient

### Our contribution

To make a valued contribution to a fair banking sector, we:

- Offer a credible, independent ombudsman service
- Offer advice to customers and banks
- Remedy things when they go wrong
- Deliver fair outcomes
- Communicate the underlying causes of problems to banks
- Improve bank practices and policies

### Our impact

#### Our activities result in:

- Fewer disputes
- Better bank-customer relationships
- More informed customers
- More satisfied customers
- More outcomes reached by mutual agreement
- Greater trust and confidence in banking

# Numbers of cases

Cases received

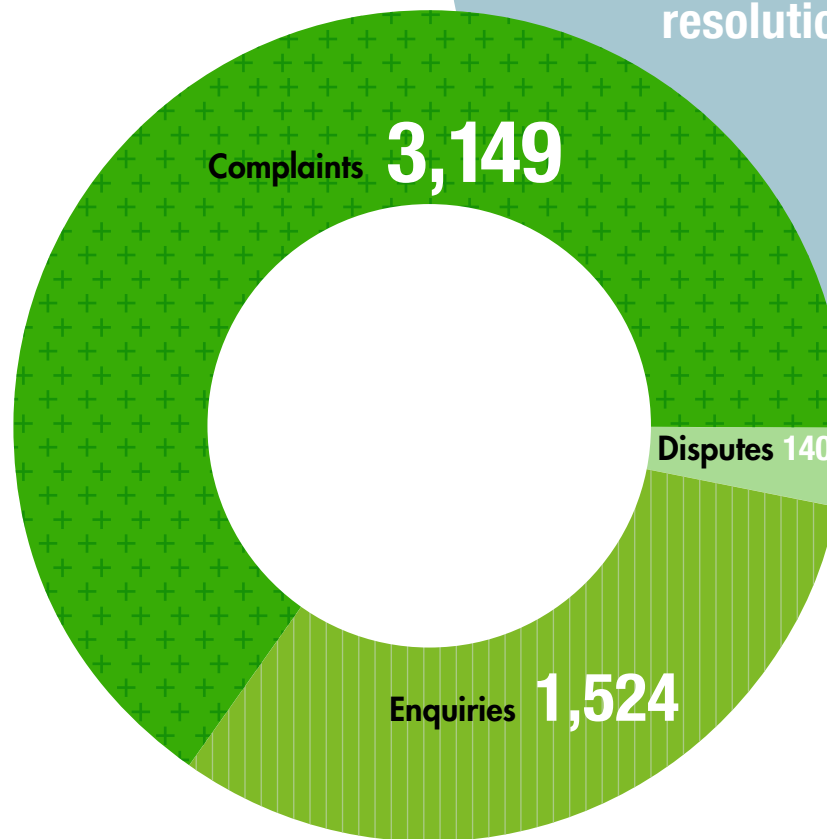
# 4,813

Overall caseload

# 5% ↑

Enquiries	Complaints	Disputes
4% ↑	6% ↑	3% ↓

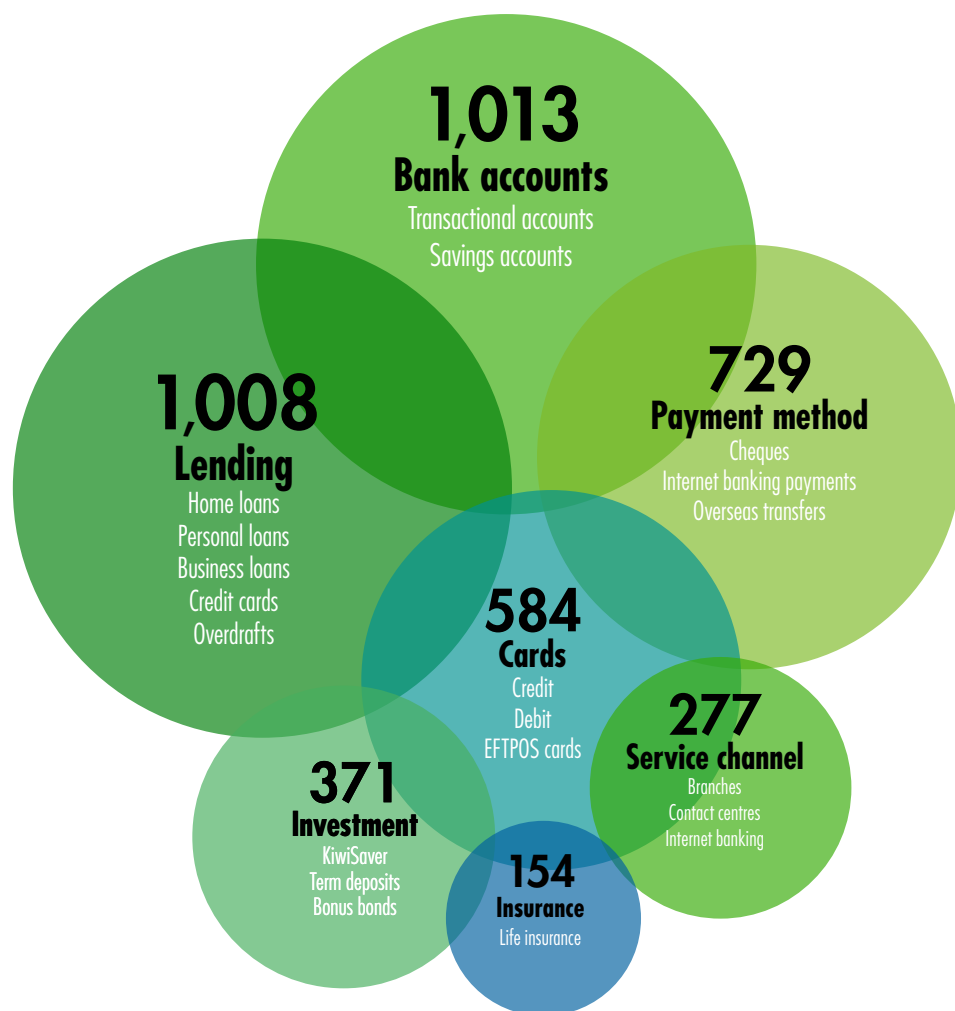
We work to resolve complaints early and without unnecessary escalation.



96% of complaints were resolved through our early resolution service.

“I phoned the office a few weeks ago and got an amazing response. Working with your team has been positive and uplifting... beautiful answers, good information, knowledgeable, supportive and really fast.”

# What the complaints were about



## Communication and access problems in a digital world were common themes last year.

The top complaint problems for the year were:

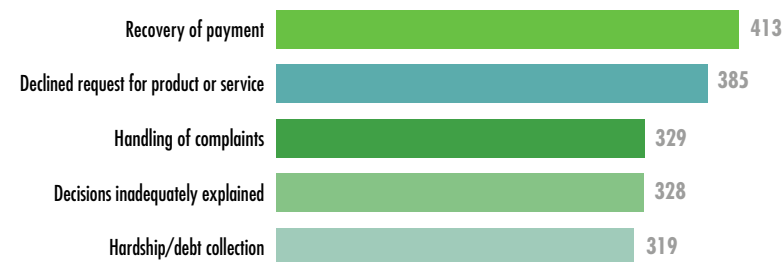
**Recovery of payment:** primarily about fraud/scams and mistaken or missing payments.

**Declined request for product or service:** most commonly about declined home loan applications or changes to branch services.

**Handling of complaints:** complaints are not acknowledged or responded to well.

**Decisions inadequately explained:** unclear bank communication leads to misunderstanding and problems.

**Hardship/debt collection:** complaints are about bank responses to hardship applications or debt collection processes.



### Trends



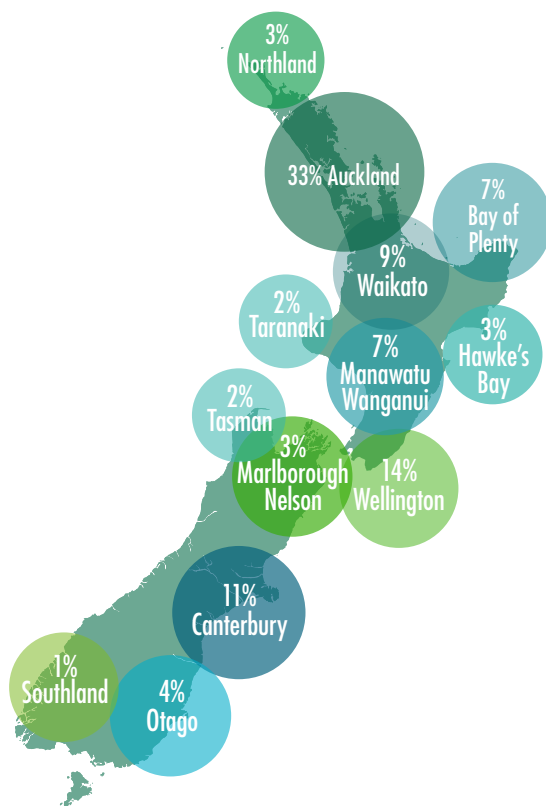
Deceased estates	38%
Anti-money laundering	32%
Scams	21%

COVID-19	-13%
Early repayment charges	-27%
Loan-to-value ratio	-67%

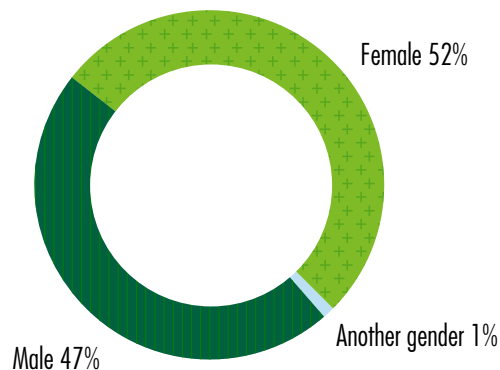


# Who uses us

Region

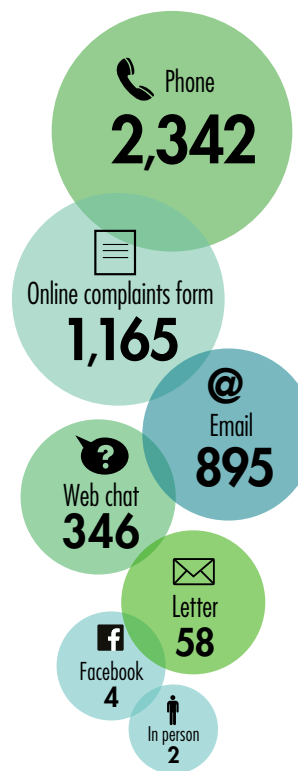


Gender balance

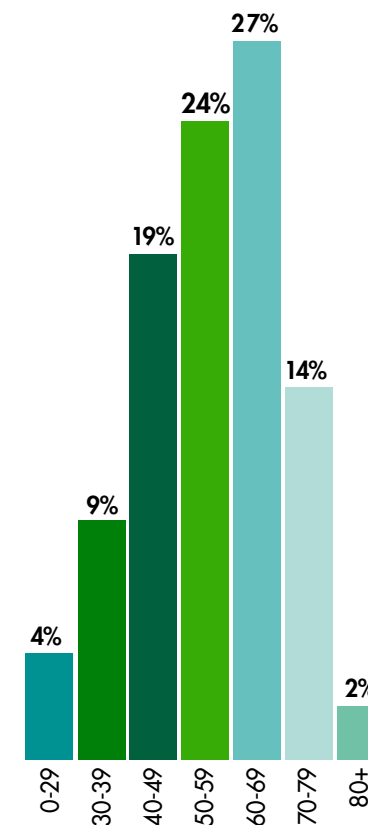


**We want to increase awareness so all bank customers know they can use our free and independent service when they need it.**

Contact channel

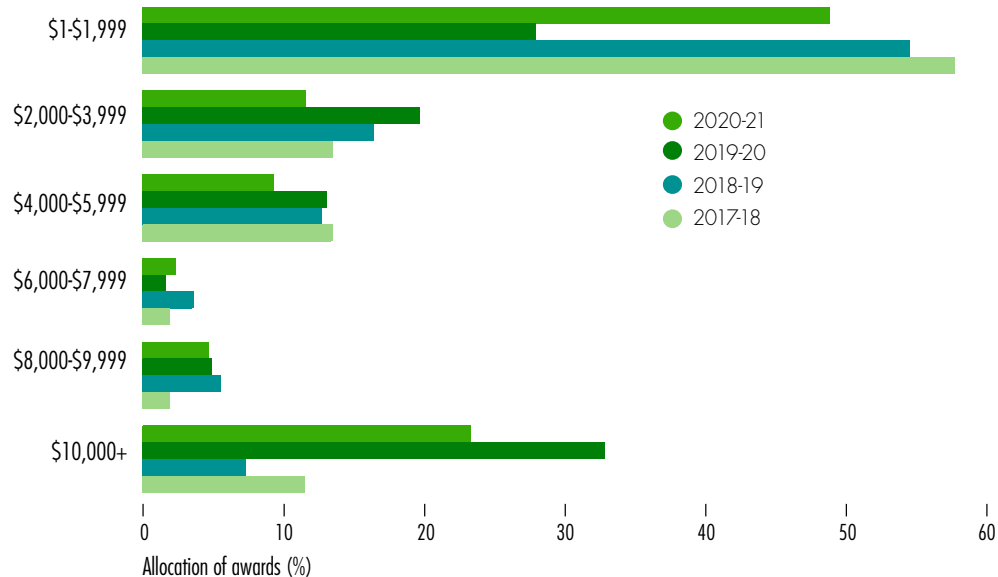


Age

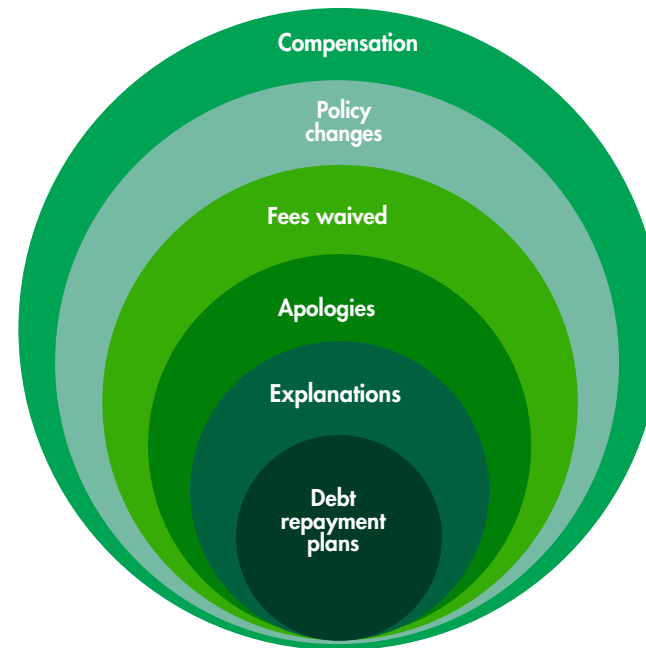


# The outcomes

## Financial compensation



## How we facilitate fair outcomes



Changes to our scheme rules included allowing us to make non-monetary awards

**\$894k**  
delivered in compensation

**82%**  
customer satisfaction  
with our service

**“I could not recommend the service highly enough. The stress was alleviated almost instantly, and they dealt with my situation very efficiently.”**

# From the Chair

To build a fairer financial future with better customer outcomes, we must listen to customers. That includes capturing, sharing and learning from complaints.

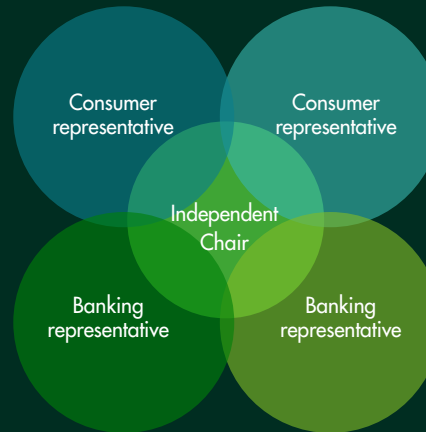
We were proud to have launched the industry-wide complaints dashboard and whistleblowing service last year. In New Zealand, this sector-wide collaboration to capture and share complaints is a first. It demonstrates a commitment to transparency, integrity and fairness in banking. The Banking Ombudsman Scheme is showing real leadership in complaint resolution and prevention.

I'd like to thank departing board member and BNZ CEO Angela Mentis for her valuable contribution, and I'd like to acknowledge the commitment and guidance of our current board members: Consumer NZ CEO Jon Duffy, Chartered Accountant Kenina Court, ANZ New Zealand CEO Antonia Watson and TSB CEO Donna Cooper.



Miriam Dean | INDEPENDENT CHAIR CNZM QC

### Make-up of board



To improve customer outcomes, we must listen to customers. Complaints are a gift, and we must use that gift wisely.



# From the Banking Ombudsman

In a year of remarkable uncertainty, we were able to adapt rapidly to help ensure fair outcomes for New Zealanders. This is crucial because we know fair outcomes build customer trust and confidence in the banking sector.

I am proud of what we have achieved in 2020-21. We successfully managed a higher caseload while implementing two significant projects – a sector-wide complaints dashboard and an independent whistleblowing service for bank staff. We also:

- produced fraud and complaint-handling guidance
- devised a fast-track process for customers in financial difficulty
- supported various regulatory reviews, including the Government's review of financial dispute resolution schemes
- implemented recommendations from an independent review of our scheme, including changes to our rules.

It has been a privilege to work throughout the year with community organisations, banks and government agencies because such collaboration is crucial to promoting high standards of conduct and ensuring our effectiveness.

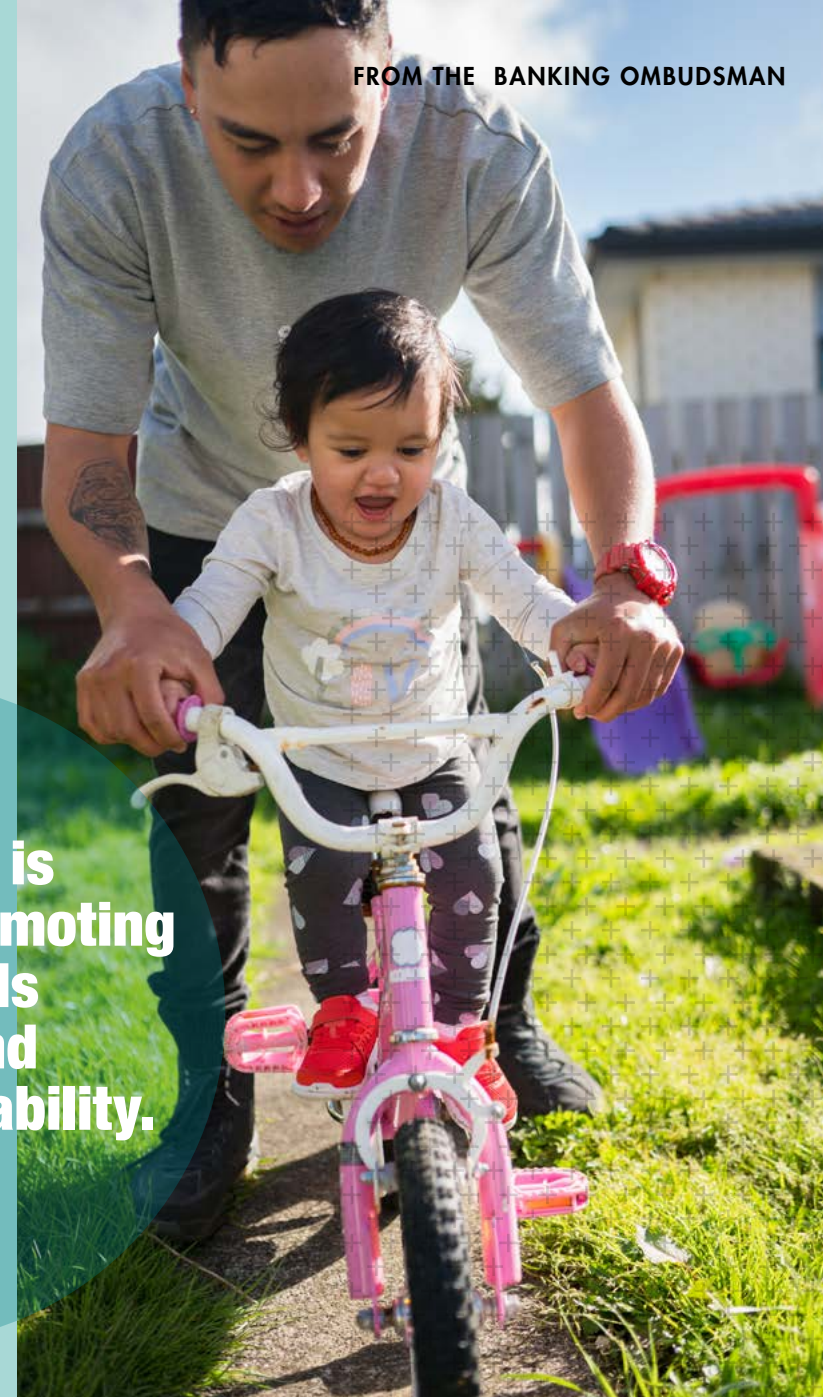
I would like to thank the board for its support and our dedicated team for providing a consistently high level of service during a challenging year.

I am confident we will make even more progress over the coming year.



Nicola Sladden | BANKING OMBUDSMAN

**Collaboration is crucial to promoting high standards of conduct and financial capability.**



## Customer vulnerability

COVID-19 has heightened the need to give customers financial hardship support and other forms of help. We developed a policy and undertook training to ensure we are identifying and responding appropriately to vulnerable customers. We also developed a fast-track process for complainants in financial difficulty. We dealt with 43 complaints in this way during the year. More than half were resolved within 20 working days.

We received a range of complaints about financial hardship and access to banking services, including:

- branch closures
- account closures
- discontinuation of cheques
- use of the power of attorney
- use of funds after the death of an account holder.

See our Quick Guides on: [Hardship and financial difficulty](#), [Power of Attorney](#), [Deceased customer accounts](#), [Closing accounts](#) and [Account mandates](#)

We have seen many examples of a greater commitment to customer care, and we look forward to seeing further progress.

Anyone at any time can experience vulnerability and be susceptible to financial harm.



We received  
over 330  
complaints  
about scams  
or fraud.

## Customer and bank both contributed to loss

A scammer, pretending to be from a telecommunications company, asked Ralph for remote access to his computer and phone for the fibre installation Ralph was expecting. The scammer then made 11 internet banking withdrawals totalling \$125,000 from Ralph's home loan revolving credit facility. Five of the transactions required two-factor authentication via text message. The scammer instructed Ralph to open and delete the text messages. Ralph discovered he'd been scammed and the bank recovered \$15,000. Ralph asked the bank to reimburse him for the remaining \$97,000. The bank declined because Ralph had given someone remote access to his computer and mobile.

### Our investigation

Banks are required to reimburse unauthorised transactions unless customers have acted fraudulently or negligently, breached the bank's terms and conditions or failed to take reasonable care to protect their banking details. We considered it was reasonable for Ralph to believe the scammer was legitimate, especially since he was expecting to be contacted about the fibre installation. However, we thought a reasonable person would have been concerned about text messages from the bank.

Banks are required to provide their service with reasonable care and skill, which means looking out for potential problems. In this case, the bank failed to pick up a series of out-of-character transactions from a previously unused account. Ralph and the bank agreed to split the loss equally.

<https://bankomb.org.nz/guides-and-cases/case-notes/64686-1/>

21%  
INCREASE IN FRAUD SCAMS



**Lenders must consider requests for help on the grounds of unforeseen hardship.**

## **Bank's basis for rejecting request for help flawed**

Naomi lost her job and requested hardship assistance for her \$10,000 bank credit card debt. The bank reversed some interest charged and rearranged repayments pending the outcome of her KiwiSaver hardship application. A few months later, when Naomi missed a repayment, the bank referred her credit card debt to a debt collector, listed a default on her credit file, and closed her bank accounts. Naomi complained that the bank had not properly considered her hardship request. The bank said she was ineligible for help under the Credit Contracts and Consumer Finance Act 2003 because she was already in arrears and was applying to withdraw money from KiwiSaver on hardship grounds.

### **Our investigation**

We pointed out to the bank that the Act required lenders to consider requests for help on the grounds of unforeseen hardship, provided the customer was no more than two months in arrears. Naomi was only six weeks in arrears when she approached the bank. Her KiwiSaver hardship application was irrelevant. We also suggested the bank's communication and response to Naomi's concerns were inadequate. The bank then agreed to remove the default listing, refund the collection fees and reduce the debt by \$2,500 in recognition of stress and inconvenience. Naomi accepted the offer.

<https://bankomb.org.nz/guides-and-cases/case-notes/68652-1/>

**Banks must respond with particular care to customer vulnerability and financial hardship.**



# Collaboration

We collaborated with a wide range of community, industry and government agencies to improve banking and customers' financial capability. These included the Safer Credit and Financial Inclusion partnership, the Interagency Fraud Working Group and the Australia New Zealand Ombudsman Association.

We established a consumer advisory group and took part in community outreach initiatives, including Pasifika outreach, with other financial dispute resolution schemes.

We identify and share insights from complaints to encourage better banking, high standards of conduct and improved customer outcomes.

## Consumer advisory group

We set up a consumer advisory group to share expertise and insights about financial wellbeing, customer awareness and prevention initiatives, and reducing financial harm.

## Effective complaint-handling workshops

We developed guidance and ran workshops for bank staff on how to deal with complaints effectively. These workshops dealt with questions of privacy, fraud and scams, customer vulnerability and how to manage unreasonable behaviour.

We aim to improve awareness, financial capability and financial inclusion.

80% of banks report that our insights help improve bank practices.

**15%**  
Increase in social media followers

**217k**  
Website users

**118**  
Media mentions

**50%**  
Complaints received online



# Early resolution

**Our early resolution service works to resolve complaints as quickly as possible so they don't escalate. This year, we developed a fast-track process for customers in financial difficulty.**

## A speedy result for property seller

When Sue lost her job, she contacted the bank to say she wanted to sell one of her two houses (property A). The bank said she had to discharge the mortgage on property A and ensure the mortgage on property B was under 80 per cent of its value. She planned to use the sale proceeds to repay the mortgage on property B and buy her mother a home. However, after property A sold, the bank told Sue it intended keeping all of the sale proceeds to reduce her other lending. She had committed to buying a house at this point and so approached a second-tier lender. She found the whole process distressing.

We managed the complaint through our fast-track process. The bank's complaint manager responded the same day, apologised for the inadequate communication about the property sale proceeds, and refunded bank charges from the sale to alleviate immediate hardship. The bank later compensated Sue for legal and valuation costs and also for stress and inconvenience.

The complaint manager's communication was clear, compassionate and courteous. The complaint was sorted out within 10 days, which Sue said was "a great resolution".

**Good listening and a sincere apology can help resolve a complaint. Customers want to be heard, and to know what steps will be taken.**

## Stuck on hold: from frustration to resolution

Tama was frustrated about being stuck on hold with the bank for several hours and called us. We gave him the number of the bank's complaints team, and he contacted us later with an update. He said the complaint team member he spoke to was pleasant, helpful and listened to all his concerns. The staff member apologised for the experience and put steps in place to ensure it would not happen again. Tama said his confidence in the bank had been restored.

## Money reversed from account with ex-partner after we contacted bank

Sarah contacted us after accidentally transferring \$300 into a joint account she shared with her former partner, against who she had a protection order. Sarah needed the money urgently to pay bills. The bank said it couldn't help because the joint account was frozen. Sarah asked to have her name removed from the account, but was told she needed to come into a branch with her former partner or obtain a court order. We sent through a request to the bank to reverse the payment and half an hour later the money was back in Sarah's account. The complaint manager said he could see the \$300 came from Sarah's personal account. Soon afterwards, the bank confirmed it could remove her name from the joint account. Sarah was relieved and grateful.

**A quick, compassionate response makes all the difference.**

**An early acknowledgement sets the tone for resolving a complaint.**

## Broader impact

We gave banks feedback about how they can improve their practice and customer outcomes. Some of the improvements included:

- **COVID-19 hardship reporting:** A bank amended the way it was reporting COVID-19 hardship assistance packages to credit agencies.
- **Unarranged overdrafts:** A bank reviewed its policy of allowing customers to exceed their approved overdraft limits by significant margins.
- **Business lending affordability:** A bank improved the way it assessed the affordability of a business lending package.
- **Mortgage defaults:** A bank changed its guidance and processes for responding to mortgage defaults to ensure it did not take debt recovery action prematurely.
- **KiwiSaver hardship form:** A bank redesigned its KiwiSaver hardship withdrawal form after discovering it incorrectly categorised certain expenses.
- **Blocking accounts:** A bank reviewed its processes and communication after it placed a block on a customer's account.
- **Technical errors:** Banks ensured they appropriately addressed any impact on customers resulting from technical errors in their systems.

“We will review our complaint process with the Banking Ombudsman Scheme guide as a point of reference.”

Bank

We changed our scheme rules so we could investigate industry-wide problems.

When we see an issue that could affect other bank customers, we act on it to improve the system for everyone.



**Banks should take extra care to ensure customers with limited English understand what they are being told.**

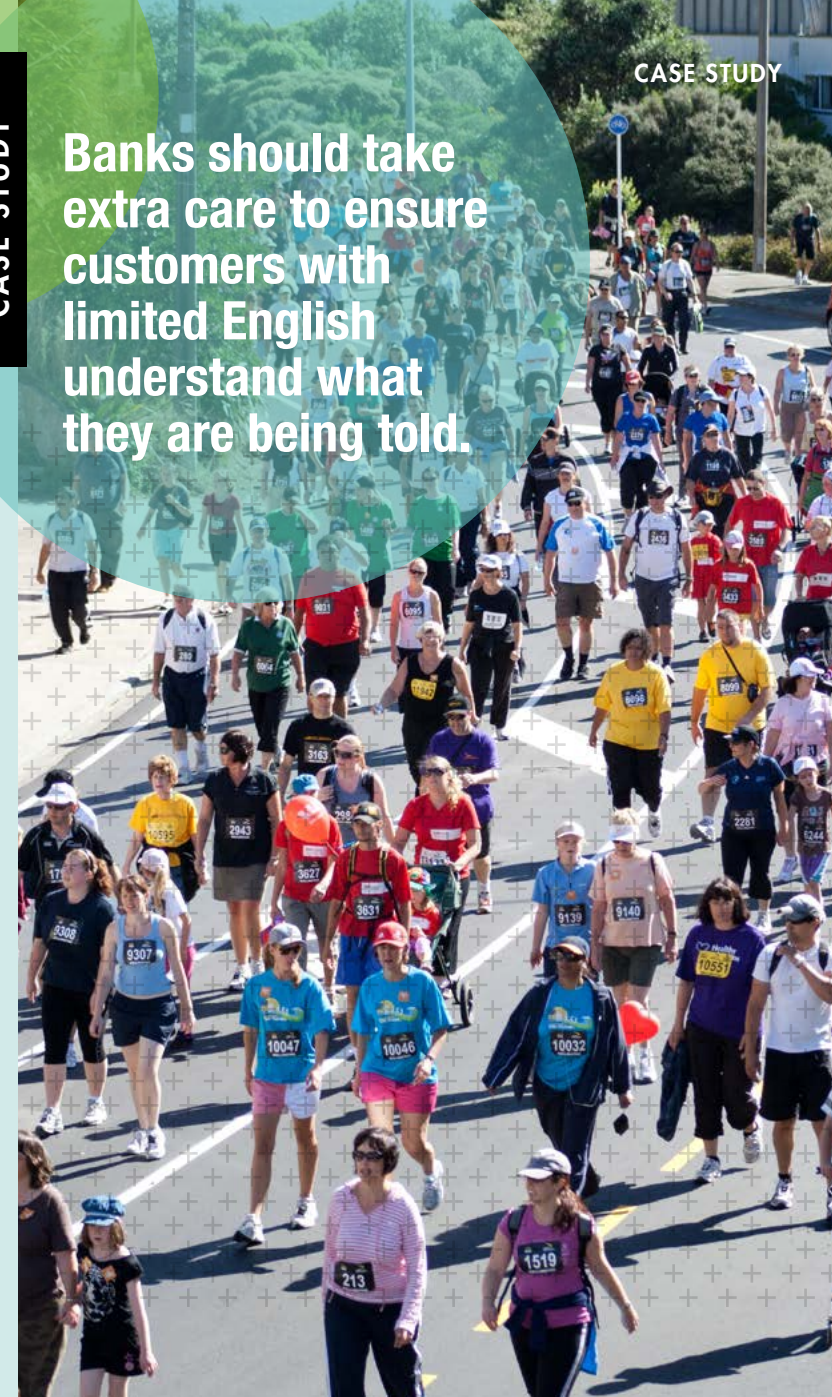
## Bank failed to assess application properly

Fabiana applied for a loan for a business venture with her lodger. Fabiana had no business experience, limited English and no history with the bank. The bank approved a loan of \$45,000 and a revolving credit facility of \$40,000. It also agreed to refinance her home loan from another bank. The lending was secured by a mortgage over her home and a personal guarantee from Fabiana for the business lending. The lodger defrauded Fabiana and left New Zealand soon after he had drawn all of the \$40,000 revolving credit. Fabiana's representatives said the bank did not check she understood the terms of the lending or consider that she was nearing retirement age, which made the lending unaffordable.

### Our investigation

We surveyed other banks' lending practices and asked one bank to complete an anonymised review of the application documents to establish whether the assessment had been reasonable for a new business loan. The conclusion was the lending application had insufficient information for the bank to make an informed decision. The bank then agreed it had not properly assessed the application and offered to reduce the lending by \$45,000. We considered the bank's offer was fair and reasonable, given Fabiana bore some responsibility for the lending. Fabiana accepted the offer, and the bank restructured the remaining business debt and home loan into one facility on a favourable interest rate.

<https://bankomb.org.nz/guides-and-cases/case-notes/63213-1/>



## Bank gave customer unaffordable credit limit increase

Ellen's net income was \$27,000 a year. In 2015 and 2016, the bank offered Ellen pre-approved increases to her credit card limit, the first from \$9,500 to \$14,000, and the second from \$14,000 to \$24,500. Ellen had to use a third of her income to meet the minimum monthly repayments. This caused her great stress.

### Our investigation

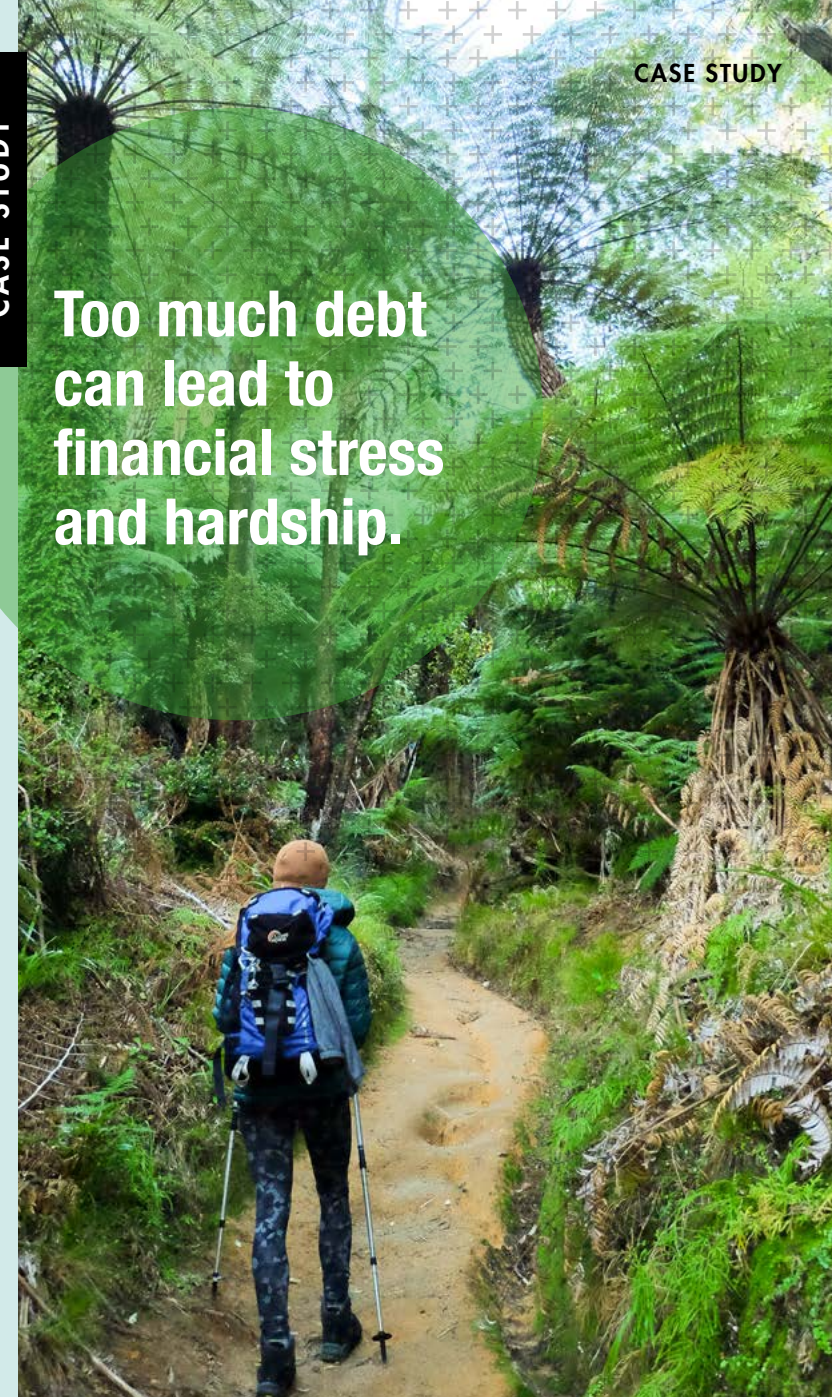
We considered the bank breached its responsible lending obligations. Banks are required to check whether credit limit increases are affordable for customers. In this case, it did not make the right enquiries to assess whether Ellen could afford the increased limits. The bank refunded Ellen \$9,000 for fees, interest and credit card repayment insurance premiums charged on the increased credit limits, along with \$2,000 compensation for inconvenience.

<https://bankomb.org.nz/guides-and-cases/case-notes/64643-1/>

**When we investigate complaints, we must be fair, having regard to the law, relevant codes and principles of good banking practice.**

CASE STUDY

**Too much debt can lead to financial stress and hardship.**



The Code of Banking Practice requires banks to treat customers fairly and reasonably, and to communicate clearly and effectively. In this case the bank fell short.

## Bank approved credit card application despite request for block on personal loans

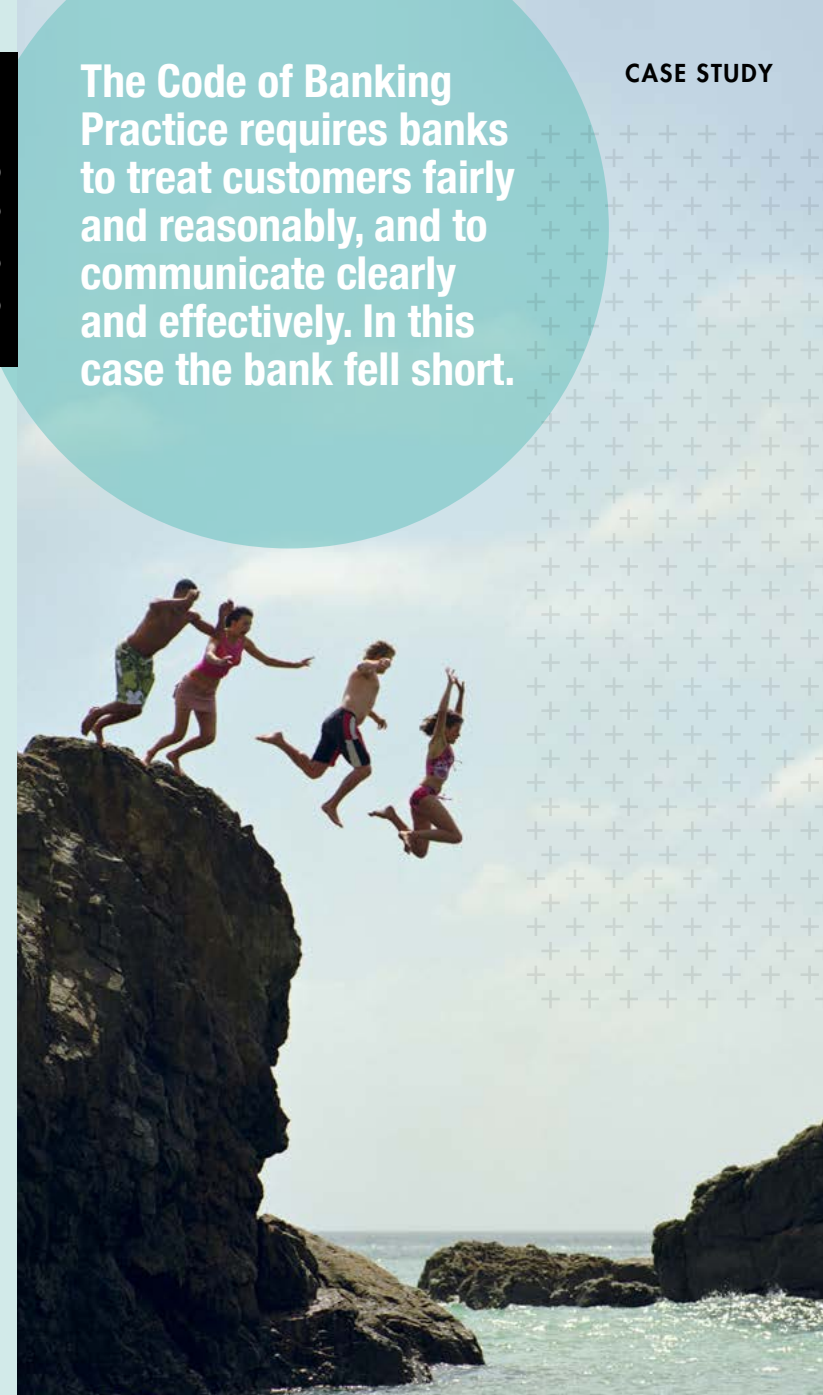
Mason had a gambling problem and asked the bank to make sure it didn't give him any personal loans. The bank replied that it had noted his request. Three months later, Mason applied for a credit card and the bank approved the application the same day. He later got into financial difficulty and asked the bank to write off part of the debt he had accumulated.

### Our investigation

We found the bank fell short on both communication and customer care. We considered the bank should have asked Mason about his request that it not give him any personal lending before it issued the credit card. There was a clear breakdown within the bank given the ease with which Mason could obtain a credit card after requesting a block on any personal lending. The bank reimbursed the interest Mason had paid on the credit card and also gave him compensation of \$500 for inconvenience.

Banks have begun introducing measures to help prevent gambling-induced financial harm.

<https://bankomb.org.nz/guides-and-cases/case-notes/69557-1/>



# Complaints dashboard

## Seeing the full picture

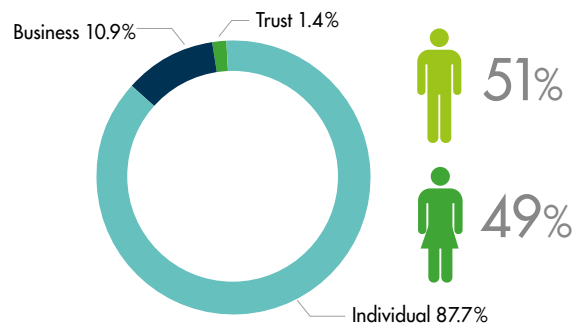
Our industry-wide complaints dashboard, launched in August 2020, aims to achieve greater transparency, integrity and fairness in banking. Previously, our own data was the sole source of information about complaints, but we knew this data was only the tip of the iceberg.

Dashboard data revealed more than 100,000 complaints were made to banks in the 2020-2021 financial year (compared with the 4,813 cases we received). We appreciate the active involvement of banks and their commitment to recording and learning from every complaint, no matter how small. We continue to work with banks on improving the collection and consistency of the data. We are also working to draw more detailed and meaningful insights from the data.

### Examples of information available on the dashboard

1 Jan - 31 March 2021

#### Who complains



Complaints dashboard

#### Outcome

Resolved **95%**      Average days to resolve **2.4**

● Financial remedy      ● Non-financial remedy



Sharing and learning from complaints leads to better outcomes.

Complaints dashboard data revealed more than 100,000 complaints were made to banks last year.



# Whistleblowing service

## Helping bank staff sing out

We launched a whistleblowing service in March 2021 so bank employees have a safe and independent channel for reporting wrongdoing at work.

There is a strong connection between the environment banks create for staff and the resulting outcomes for customers. The review by regulators of the banking sector in 2018 recommended formal whistleblowing policies that were accessible, confidential and comprehensive. Bank staff can now raise their concerns about behaviour or practices at their bank through this independent service, which is run as a separate arm of our scheme and supplements banks' own whistleblowing channels. Bank staff can speak up anonymously, and we manage and report back their concerns to banks for investigation.

Whistleblowing service

**“New Zealanders rightly expect banks to operate with high integrity, and to treat their customers and staff fairly. These initiatives will help achieve higher standards of conduct, culture and customer care across financial services in New Zealand.”**

David Clark, Minister of Commerce and Consumer Affairs, March 2021



# Cases by bank

Bank	Enquiries received <sup>1</sup>	Complaints received	Disputes received	Total	% of our cases	% of total assets <sup>^</sup>
<b>Large<sup>^</sup></b>						
ANZ Bank NZ	115	883	37	1035	21.5	30.2
ASB Bank	97	501	24	622	12.9	19.1
BNZ	57	459	11	527	10.9	19.0
Kiwibank	54	409	22	485	10.1	4.4
Westpac NZ	105	548	20	673	14.0	19.0
<b>Medium<sup>^</sup></b>						
Heartland	33	54	3	90	1.9	0.7
HSBC	5	10	2	17	0.4	1.1
Rabobank	9	15	4	28	0.6	2.8
SBS	48	61	4	113	2.3	0.8
The Co-operative Bank	11	62	3	76	1.6	0.5
TSB	16	72	8	96	2.0	1.4
<b>Small<sup>^</sup></b>						
Bank of Baroda	2	4	-	6	0.12	<0.5
Bank of China	3	4	-	7	0.15	0.8
Bank of India	-	1	-	1	0.02	<0.5
China Construction Bank	-	-	1	1	0.02	0.5
Citibank	1	1	-	2	0.04	<0.5
ICBC	2	3	-	5	0.10	<0.5
Nelson Building Society	6	7	1	14	0.29	<0.5
NZCU Baywide	15	55	-	70	1.5	<0.5
Bank not specified*	945	0	0	945		
<b>Overall total</b>	<b>1524</b>	<b>3149</b>	<b>140</b>	<b>4813</b>		

A bank's percentage of total assets does not equate to a bank's percentage of customer numbers.

The team were empathetic and took my complaint seriously. I felt like I was heard and that someone would check in to see if everything the bank did was fair and ethical.

Prompt & helpful responses, delivered with understanding and kindness (as my request was regarding probate).

<sup>^</sup> Banks are classified according to total assets at 31 December 2020 as verified by banks in May 2021.

\* Includes calls about institutions that are not part of the scheme.

<sup>1</sup> Includes calls customers made by mistake to the scheme, rather than to their bank

- Means no completed cases.

# Disputes by bank

Bank	Outside jurisdiction		Result for both parties		Result for customers		Result for banks*		Total by bank		% of total assets^
	19-20	20-21	19-20	20-21	19-20	20-21	19-20	20-21	19-20	20-21	20-21
<b>Large^</b>											
ANZ Bank NZ	3	6	15	12	3	-	20	22	41	40	30.2
ASB Bank	4	6	11	6	1	2	10	10	26	24	19.1
BNZ	2	2	3	3	0	-	13	6	18	11	19.0
Kiwibank	-	2	8	8	3	7	3	6	14	23	4.4
Westpac NZ	3	6	8	7	7	1	15	7	33	21	19.0
<b>Medium^</b>											
Heartland Bank	-	1	1	-	-	-	5	2	6	3	0.7
HSBC NZ	-	1	-	-	-	-	2	1	2	2	1.1
Rabobank NZ	-	1	-	-	-	-	-	2	-	3	2.8
SBS Bank	-	2	1	1	-	1	3	2	4	6	0.8
The Co-operative Bank	-	1	1	-	-	-	3	1	4	2	0.5
TSB Bank	1	1	3	2	3	1	3	4	10	8	1.4
<b>Small^</b>											
Bank of Baroda NZ	-	-	-	-	-	-	-	-	-	0	<0.5
Bank of China NZ	3	-	-	-	-	-	-	-	3	0	0.8
Bank of India NZ	-	-	-	-	-	-	-	-	-	0	<0.5
China Construction Bank NZ	-	-	-	-	-	-	-	-	-	0	0.5
Citi NZ	-	-	-	-	-	-	-	-	-	0	<0.5
ICBC NZ	-	-	1	-	-	-	-	-	1	0	<0.5
Nelson Building Society	-	-	1	-	-	-	-	1	1	1	<0.5
NZCU Baywide	-	-	-	-	-	-	-	1	-	1	<0.5
<b>Total</b>	<b>16</b>	<b>29</b>	<b>53</b>	<b>39</b>	<b>17</b>	<b>12</b>	<b>77</b>	<b>65</b>	<b>163</b>	<b>145</b>	

“I would like to thank the office of the Banking Ombudsman.. who have assisted in this stressful and difficult situation. Your phone calls and emails were always positive, fully supportive, intelligent, knowledgeable and totally professional.”

“I considered your advice and help was always professional, knowledgeable, supportive and empathetic. In fact, it was very calming giving me cause to rethink or consider another approach to certain situations especially when I was feeling frustrated. Thank you again for your help. Nga mihi maiaho.”

^ Bank are classified according to total assets as 31 December 2020 as verified by banks in May 2021

\* Includes abandoned and withdrawn disputes

- Means no completed disputes.

## We're here to help

Freephone 0800 805 950

Web [www.bankomb.org.nz](http://www.bankomb.org.nz)

Email [help@bankomb.org.nz](mailto:help@bankomb.org.nz)

 [bankombnz](https://www.facebook.com/bankombnz)

 [Banking-ombudsman](https://www.linkedin.com/company/banking-ombudsman)

