



**Consultation on proposed rule changes
Banking Ombudsman Scheme**

**The Salvation Army Te Ope Whakaora New Zealand, Fiji, Tonga, and Samoa Territory
13th December 2024**

BACKGROUND OF THE SALVATION ARMY:

1. The mission of The Salvation Army Te Ope Whakaora is to care for people, transform lives, and reform society by God's power. The Salvation Army is a Christian church and social services organisation that has worked in New Zealand for over one hundred and forty years. It provides a wide range of practical social, community, and faith-based services, particularly for those facing various forms of hardship and vulnerability.
2. The Salvation Army employs almost 2,000 people in New Zealand, and the combined services support around 135,000 people annually. In the year to June 2024, these services included providing around 88,000 food parcels and vouchers to families and individuals, providing some 2,300 people with short- or long-term housing, around 4,400 families and individuals supported with social work or counselling, around 5,300 people supported to deal with alcohol, drug, or gambling addictions, around 3,500 families and individuals helped with budgeting, and court and prison chaplains helped 4,000 people.
3. This submission has been prepared by the Social Policy and Parliamentary Unit (SPPU) of The Salvation Army. The SPPU works towards the eradication of poverty by advocating for policies and practices that strengthen the social framework of New Zealand. This submission has been approved by Commissioner Mark Campbell, Territorial Commander of The Salvation Army's Aotearoa New Zealand Fiji Tonga, and Samoa Territory.

BUILDING FINANCIAL CAPABILITY

4. The Salvation Army's work in the building financial capability (BFC) area includes a dedicated team of financial mentors who operate across 26 centres. Over the past year, our financial mentors have supported 3,388 clients, a number that rises to 9,144 when including their immediate whānau. A total of 8745 face-to-face sessions were conducted. This represents about a 10 percent increase in clients and sessions compared to the previous year, largely due to the rising cost of living and an increase in job losses or reduced working hours. Staff have also reported a rise in requests for KiwiSaver hardship withdrawals and insolvencies.
5. Since 2020, the demographic of the clients we support has broadened. While we previously primarily assisted low-income workers and beneficiaries, we are now also seeing a diverse range of families, including those with double incomes and mortgages.
6. One of the key issues we encounter is access to banking services for those we support. Even though those we support who struggle with navigating banking system represent a very small portion of the population, ensuring that these issues are raised is crucial. It ensures

equitable access to banking services and the ability to function financially in society. This makes it essential for us to engage with the Banking Ombudsman Scheme (BOS).

OUR RESPONSE TO THE PROPOSED RULE CHANGES

7. Our submission to the proposed changes in the rules focuses specifically on Recommendation 1 and Recommendation 7, as we believe these areas will have a direct impact on our work with the families we support.

RECOMMENDATION 1

8. We support Option 2, which proposes changing the rule to allow complaints to be brought against a recipient bank by the sender of a payment. Many of those we support, not only in the BFC space but also in our wider welfare support around food and housing, have experienced issues with being scammed.
9. The case studies below illustrate these challenges. We believe this change would provide the BOS with greater ability to consider such complaints. This, in turn, would help ensure that better banking practices are implemented to safeguard people from being scammed.
 - a. Sarah¹ was scammed out of \$770 by an online romance scammer. She filed a police report, but since the scammer was offshore, no action could be taken. Sarah worked with her bank to tighten her account security and change her email and phone number to prevent further incidents.
 - b. Emily was scammed out of some money, leading to her bank account being locked while the issue was resolved. She faced difficulties paying her bills during this period and had to rely on food assistance. Emily's experience highlights the immediate financial distress caused by scams.
 - c. John discovered he had been scammed for about a year. He worked with his bank to stop the fraudulent transactions and was issued a new card. He sought assistance with budgeting to manage his expenses better.
10. It's also important to note that 40% of those who accessed our services for food support, housing support, and financial mentoring in the past six months and reported being scammed were over 60 years old. The average age of those who accessed our services and had been scammed in the past six months was about 50 years old.
11. Although this is outside the scope of this document, the significant shift to digital banking means that many of those we support do not have the same safeguards as those who are more technologically literate. Extending complaints to the BOS to include recipient banks would be a step in the right direction in providing these safeguards. Greater protections, not just from banks but also within the BOS's mandate, are crucial to protect the elderly.
12. In addition, in our view allowing the BOS to handle complaints against recipient banks would ensure that banks involved in receiving fraudulent funds are held accountable, providing a

¹ Pseudonym

more comprehensive resolution for victims. By amending the Code of Banking Practice to include rules for recipient banks and allowing BOS to address these complaints, banks would be encouraged to act more swiftly and effectively in resolving such issues, thereby reducing the financial burden on victims. Like many we support, the scam has resulted in them accessing our services for food or welfare support. Additionally, the prolonged nature of some scams underscores the need for robust monitoring and intervention by banks. If BOS could handle complaints against recipient banks, it could potentially incentivise banks to implement better fraud detection and prevention measures, ensuring that scams are identified and addressed more quickly.

13. The case studies above from our clients illustrate the significant impact that scams can have on individuals and highlight the need for the BOS to amend its terms of reference to include complaints against recipient banks. This change would provide better protection and support for scam victims.

RECOMMENDATION 7

14. We support Option 2: Amend the terms of reference and operational guidelines to remove the requirement to consult with the industry and introduce discretion for the scheme to consult with experts as it thinks appropriate.
15. We have noted previously that we support a small portion of the population, but it is a part of society that is often overlooked, underrepresented, complex, and vulnerable. Ensuring that banking, which is absolutely essential for functioning in society, is equitable and free of barriers is crucial. It is essential that voices representing these individuals are present.
16. In our view, Option 2 would allow the BOS to have a wide scope to engage with various parts of society, ensuring that banking access is equitable. This approach would help address the needs of those who are most vulnerable and ensure that their concerns are heard and acted upon.

The Salvation Army acknowledges and supports the recommendations proposed in the Banking Ombudsman Scheme Independent Review 2024. The review highlights significant opportunities in addressing banking challenges, which align with our advocacy for vulnerable and marginalised communities. These recommendations reflect a commitment to equitable banking practices and protections for those at risk of financial harm, like many we support. We look forward to the implementation of these measures to improve banking fairness and accessibility for all.