

# 0800 BANKLINE REPORT

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December 2000

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Level 8, 33 Bowen Street,  
PO Box 1473, Wellington  
Tel: 04 474 2750  
Fax: 04 473 9400  
Email: [mcainfo@mca.govt.nz](mailto:mcainfo@mca.govt.nz)  
Website: [www.consumer-ministry.govt.nz](http://www.consumer-ministry.govt.nz)



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# 1. INTRODUCTION

Banking services are more essential than discretionary for consumers to operate effectively in society. Over recent years there has been public concern about the cost of consumer banking services, particularly for standard current and savings accounts, and especially in relation to low-income consumers. There is a growing dissatisfaction among certain consumer groups with the widespread introduction of fee-attracting services following the removal of cross-subsidies between borrowers and depositors and an emphasis on electronic banking. Consumers are also concerned about bank closures in rural areas.

Apart from consumers who receive a Work and Income New Zealand (WINZ) benefit and who are required to have a bank account (and choose their own bank), access to banking services is not controlled by government. However, banks are subject to general legislative requirements that seek to ensure banks' services and prices are determined through competition and the information they provide is not false, misleading or deceptive. The industry also has an Ombudsman to deal with consumer complaints where those complaints have not been resolved by the banks themselves.

However, the general legislative requirements and the Banking Ombudsman have not addressed all consumer concerns.

In 2000, the Ministry of Consumer Affairs undertook a project to provide further assistance to banking consumers. This included an 0800 information service called Bankline supported by an internet-based database called Bankcheck.

## 1.1 Purpose of Bankline

The identified purpose of Bankline was to provide advice to consumers to ensure they knew how to:

- minimise their bank fees
- access and take advantage of the banking options available to them
- access help with banking problems.

Bankline had a secondary function of gathering information. In particular the Ministry sought information about:

- how much consumers knew about managing bank fees and about resolving problems with their bank
- what kind of impact banks' behaviour was having on consumers
- how accessible to bank customers was information about how to make a complaint.



## 1.2 What can the Bankline information tell us?

The information gathered through Bankline came from a self-selecting group of consumers rather than a randomly generated sample group. As such it provides a snapshot of views from consumers motivated to share their banking experiences with the Ministry. This report reflects the views of these consumers only. Their stories have not been checked for accuracy and are presented as told to the Ministry. No firm statistical conclusions can be drawn from this data.

Individual banks are not named in this report for 3 reasons:

1. the information is not statistically reliable
2. the bank named by a consumer may not actually be responsible for that consumer's problem (for example, complaints about international telegraphic transfer fees may concern fees the overseas sender of the money nominated the New Zealand receiver of the money to pay or a caller may have given incomplete information)
3. many callers (349) did not specify a bank, or complained about a general banking practice.

## 1.3 Purpose of Bankcheck

To support Bankline, the Consumers' Institute was engaged to provide internet web pages listing data to help consumers make comparisons between personal banking services, products and fees. The website, 'Bankcheck', also carries other general information about banking.

An indication of the number of people using Bankcheck is found in data on the number of visitor sessions in the period July to November. During this period there was a total of 23,530 visitor sessions on the site. The most popular pages, in order of popularity, were:

- ba\_transaction.html (day to day accounts compared)
- ba\_cut.html (cut your bank fees)
- m\_rates.html (latest mortgage rates)
- c\_rates.html (credit card rates)
- r\_results.html (survey results)
- c\_rules.html (credit card rules)
- m\_save.html (ways to save on your mortgage).

Bankcheck continues to be operated by the Consumers' Institute.

The remainder of this report presents an analysis of Bankline 0800 calls.



## 2. HOW BANKLINE OPERATED

The Ministry of Consumer Affairs Bankline 0800 number was operated from 5 July to 4 August 2000. Bankline was a forum for consumers to access information and to share their banking experiences directly with the Ministry.

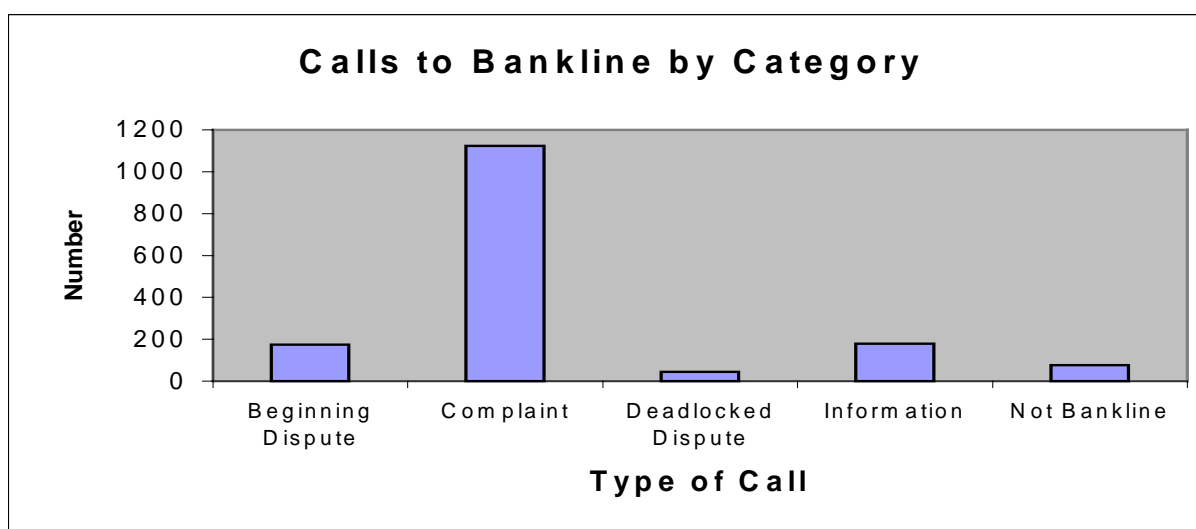
The analysis in this report is based on 1605 responses from 1358 consumers. The total number of information 'items' exceeds the number of callers because callers often raised more than one issue. Before addressing the findings in Part 3 of this Report, it is useful to explain how Bankline operated and how calls were categorised.

### 2.1 How data was collated and analysed

Bankline staff categorised calls on data sheets (see Appendix). There were five categories: beginning dispute; complaint; deadlocked dispute; information; and 'not Bankline'. If calls had more than one function they were categorised somewhat arbitrarily. For example, the distinction between deadlocked disputes, beginning disputes and complaints was not always clear.

At the end of Bankline all call sheets were entered on a database by one person. Where Bankline staff had not categorised a call, an inference as to the appropriate category was made from other recorded information. Similarly, when more than one bank was recorded or where it was impossible with more than one recorded issue to establish which comment or complaint referred to which bank, the code NBK (No Specific Bank) was used.

The graph below shows the number of calls in each of the five categories. This is followed by a brief discussion of how each category was used.





## 2.2 Beginning dispute/deadlocked dispute

Callers who had a personal dispute with their bank and had not yet made a formal complaint to the bank were put in the 'Beginning Dispute' category. There were 176 'Beginning Dispute' calls. These callers were advised by Bankline staff how to make a complaint to their bank using the bank's internal complaints procedure and informed of the Banking Ombudsman's role. In some cases they were also referred to organisations such as the Banking Ombudsman, the Privacy Commissioner or their community law centre for more information.

Callers who had completed their bank's internal complaints process and who did not consider their complaint to be satisfactorily resolved were classified as 'Deadlocked Dispute' (43 calls). These callers were generally referred on to the Banking Ombudsman.

## 2.3 Complaints

Calls which did not identify a dispute with a bank but raised concerns about banks' behaviour and the impact of that behaviour on a consumer were classified as 'Complaints'. There were 1123 calls in this category.

## 2.4 Information

Requests for information or advice about banking services and options were coded 'Information'. The number of information-only requests was 180. This is an under-representation, however, because many calls seeking information or advice often involved a complaint from a consumer and were coded under 'Complaints'. As well, information-only calls tended to be recorded only if the caller did not have internet access and required information to be sent to them. A more accurate indication of the number of people who accessed information services provided as part of the Bankline project is the number of visits to the Bankcheck website (see 1.3).

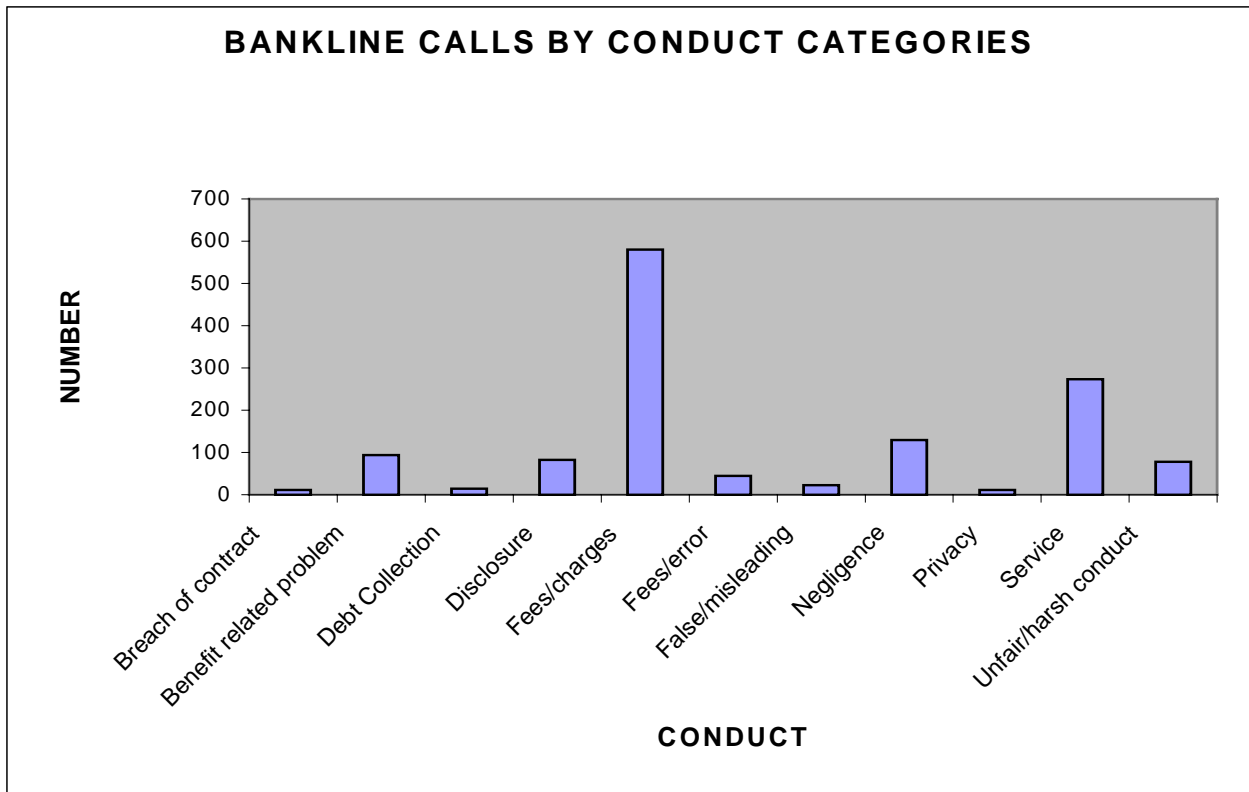
## 2.5 Not Bankline

Calls were classified as 'Not Bankline' if they did not address any of the stated aims of Bankline (77 calls).

### *Classification by Conduct*

Bankline staff also recorded the type of banking service and the type of conduct complained of. Before Bankline started, the Ministry identified 11 'conducts' it thought might concern consumers and under which calls would be categorised. The graph below shows the numbers of calls in each of the 11 conduct categories.

In the analysis which follows the graph, however, 14 categories of issues were used to better reflect the complexity of actual consumer responses to Bankline.



### *Presentation of findings*

As noted above the number of conduct categories has been increased to present and discuss the information from Bankline. The 14 resulting categories of issues are:

- a. fees general
- b. fees and beneficiaries
- c. fee exemptions
- d. disclosure of fees
- e. specific fees
- f. service general
- g. disability issues
- h. electronic banking and payment methods
- i. cheque clearance
- j. credit cards
- k. negligence and complaints procedures
- l. unfair
- m. youth issues



n. other issues.

Information could have been assigned to more than one category – for example, a caller concerned about overdraft honour fees may have seen it as a fee issue and as an example of poor and inflexible service. Because the boundaries between these categories are often blurred or the issues interrelated exact figures are not available in every category.



### 3. FINDINGS

Under each of the 14 categories of issues that follow in this report:

- is a summary of the issues for consumers in that particular area
- is a description of the type of calls put in each category
- are quotes from consumers (where appropriate)
- are case studies which are typical of calls under that category (where appropriate).

#### *Key issues*

Consumers were concerned that the rapid introduction of technology in the banking industry had been accompanied by ever increasing bank fees and a decline in service and flexibility.

In summary, consumers would generally be happier with the banking industry if:

- bank fees were lower
- banks provided an explanation of how bank fees reflected costs
- banks itemised fees on bank statements
- banks disclosed specific fees for transactions fully before the transaction, including overdraft honour fees and fees for using another bank's ATM
- banks which operate an 'overdraft honour fee' system made it easier for consumers to opt out of this system
- banks ensured all fee exemptions were given automatically to all eligible consumers or, failing that, banks advertised customers' responsibility to inform banks of any changes which may qualify them for a fee exemption
- banks provided consumers with basic information about how cheques, automatic payments and direct debits work, including clearance periods and consumer responsibilities
- banks trained all their staff so they had a comprehensive knowledge of bank products and could assist customers
- banks increased services in rural areas
- failing an increase in rural services, banks made more effort to make banking easy and cost effective for rural customers
- they were able to talk to a local branch by telephone
- banks valued their customers' time by cutting waiting times in branches
- banks valued their customers' time by reducing waiting times on telephones
- banks adapted their systems to provide for the needs of consumers with disabilities
- banks made information about established dispute resolution processes more accessible, including ensuring bank staff knew of and could provide contact details for the Banking Ombudsman.

### 3.1 Category A – Fees general

#### 3.1.1 Summary

Consumers consider the level of bank fees to be excessive and to cause ongoing money management problems.

#### 3.1.2 Discussion

595 callers (including those classed in the ‘beneficiary related problem’ category) had a fees-related complaint. Because of the large number of callers complaining about fees, an analysis of these calls has been separated into a number of fee-related issues. This section of the report gives a general analysis of fee complaints.

Generally most callers considered the fees banks charged for the services they provided to be excessive. Many callers said that fees represented a high cost to small business owners, low-income earners and beneficiaries. Some self-declared middle and high income earners also commented on the high cost of fees.

There was a perception that banks did not compete on fees and that consumers had little power to influence the level of fees because of a lack of competition. Overall, consumers were suspicious that the fees charged did not reflect costs and many callers commented about the lack of transparency in fee charging.

Many consumers regarded some types of fees to be particularly unfair. These included fees for depositing money and charges for an inactive account. In addition consumers noted they were often paying multiple fees for one transaction.

Several consumers felt that bank fees caused them to have ongoing money management problems, particularly when banks introduced a new fee or debited all fees for an account on one date.

#### 3.1.3 What consumers said

*“Fees are not value for money – and make you lose control of your money; lack of choice at moment with banks”*

*“Electronic theft”*

*“Fees are excessive. Collusion between banks – interest rates. Would like to see competitive New Zealand owned bank”*

*“\$500 per annum in fees”*

*“Charge for everything you do”*

*“Fees excessive for businesses”*

*“Business account – \$100 per month fees”*

*“\$2.50 per transaction even if it’s a deposit”*

*“Charged \$9 if you deposit someone’s cheque into your account and it bounces”*

*“Understanding bank fees requires a level of competency and literacy that most New Zealanders cannot achieve”*

*“Charges deducted on 26th of the month, difficult to juggle to make sure sufficient funds.”*

### 3.1.4 Case studies from Bankline

One consumer thought that banks change their systems so consumers have to pay more fees. To illustrate, when this consumer transfers money using an ATM they used to be given the balances for both accounts. Now the consumer has to pay a transaction fee to find out the second account balance.

\*\*\*\*\*

Another consumer is concerned she is paying up to three times for one service. She is charged 25 cents per automatic payment, then a \$10 electronic transaction fee and a \$2 direct line fee (which relates to automatic payments as well). She usually pays around \$15 a month in fees.

\*\*\*\*\*

A consumer noted that investigating which bank charged the cheapest fees was redundant because the fees change so often that quite soon after she has done her market research it becomes out-dated.

## 3.2 Category B – Fees and beneficiaries

### 3.2.1 Summary

Those who identified themselves as beneficiaries were particularly concerned about the level of fees.

### 3.2.2 Discussion

69 of the 94 callers who specifically identified themselves as beneficiaries found the level of fees excessive. Many commented they could not choose to avoid bank fees by opting out of the banking system because WINZ requires benefits to be paid into bank accounts. Callers also commented that the costs for beneficiaries are maximised by benefits being paid weekly rather than fortnightly.

### 3.2.3 What consumers said

*“Charged 35c for WINZ to deposit benefit”*

*“There is a lack of choice – benefits have to be paid into a bank account”*

*“WINZ forces people to have accounts – fees are excessive”*

*“Bank fees are hard for sickness beneficiaries. Eg my fees were once \$13 for a month and I get \$103 per week benefit”*

*“I am charged 40 cents by the bank to have my benefit deposited to my account, this is compounded by government paying benefits weekly not fortnightly.”*

### 3.2.4 Case studies from Bankline

One woman questioned the morality and legality of banks charging fees for the deposit of a benefit. She has no option but to receive her benefit through the bank and then the “bank plunders it for their own profit”.

\*\*\*\*\*

A consumer is concerned he has to pay to access his benefit. He would like to change banks so he could minimise his fees (currently \$30 a month not including honour and dishonour fees) but he cannot switch banks until he clears his overdraft. He cannot clear his overdraft while he is on a benefit. At the moment his benefit is paid into one bank (which is cheaper) and he then transfers money into his other bank. He finds having to shift money around very stressful and also wonders why banks give a fee exemption to superannuitants but not beneficiaries.

\*\*\*\*\*

One consumer on a benefit pays \$49-\$90 a month in bank fees. He would like to change banks to access a cheaper account but cannot afford the minimum \$200 deposit required by his preferred bank.

### 3.3 Category C – Fee exemptions

#### 3.3.1 Summary

Some consumers believe fee exemptions discriminate against low-income people. Banks do not always inform superannuitants and youths of the process to get a fee exemption, nor do banks advertise the limits of their fee exemptions.

#### 3.3.2 Discussion

Calls about fee exemptions fitted into the following broad categories:

- Many consumers thought fee exemptions were granted in a discriminatory fashion. Exemptions for people who maintain a high average monthly balance and for people with mortgages were regarded as discriminating against low-income people.
- Several beneficiaries, particularly those on invalids or widows benefits, thought they should qualify for a fee exemption similar to superannuitants.
- Superannuitants were concerned that not all banks systems recognise their income source and apply exemptions automatically.
- There was also a perception that banks did not publicise the process of gaining a superannuitant fee exemption widely enough.
- Several superannuitants noted that they had to be vigilant to ensure they continued to receive their fee exemption. Some superannuitants noted they had been fee exempt for a while but were suddenly charged fees again.
- Several superannuitants complained the fee exemption is usually offered on one account only and does not cover all types of transactions or bank services.

#### 3.3.3 What consumers said

*“Specifically people with mortgages get cheap fees and therefore are subsidised by poor people who don’t have a mortgage”*

*“Invalids shouldn’t be charged fees, and exemptions for those with \$1000 discriminates against poor people”*

*“Fees discriminate – if you’ve got less than \$5000 you’re charged \$3 account maintenance fee”*

*“Why charge beneficiaries when you don’t charge superannuitants. \$36 month in fees”*

*“Invalid and widows beneficiaries should get fee exemption”*



*“[Superannuitant] being charged telephone bank fees over a certain level and ATM charges from other banks’ ATMs. The superannuitant fee exemption is not automatic, you have to request it.”*

### 3.3.4 Case studies from Bankline

A pensioner who deposited \$20,000 was annoyed about being charged a cash handling fee by the bank even though he had a superannuitant fee exemption.

\*\*\*\*\*

One superannuitant received the fee exemption until the bank introduced a new computer system which started charging him fees again.

\*\*\*\*\*

A 94 year old man only found out recently he qualified for a fee exemption. His bank’s computer system had not been able to recognise his WINZ payments as superannuation payments even though they are listed on his bank statement as superannuation. When the man raised the issue with the bank it refunded him one month’s fees.

\*\*\*\*\*

One man commented that in the previous few weeks his bank had claimed in advertisements on television and radio that superannuitants are not charged fees. What the advertisements do not say is that only the first \$20 a month is exempt.

## 3.4 Category D – Disclosure of fees

### 3.4.1 Summary

Consumers want banks to provide more specific information about what fees are for and more detailed disclosure of fees on bank statements and ATMs.

### 3.4.2 Discussion

Many consumers thought their bank did not provide sufficient information about what fees were actually for. One caller noted that no one in his bank could explain what a management fee was and how it differed from other fees. This lack of transparency adds to a perception that banks' fees are excessive.

Consumers wanted a detailed disclosure of bank fees on their bank statements. Some banks do this but many callers commented that without an itemised list of fees on their statement there is no way of checking whether the bank is applying its charges correctly.

Consumers thought banks should make more effort to inform them of new fees and fee changes. Some thought banks should send their customers individual letters notifying changes. Others considered banks could inform consumers of specific fees each time a transaction was undertaken. For example, many people felt that all ATMs should list charges imposed by some banks for using another bank's ATM.

Several consumers considered banks did not disclose information which would assist them avoid fees, such as eligibility for a fee free account. Some callers felt the bank had misled them by advertising a fee such as the 'bill-pay' fee as a cheaper way to conduct transactions without informing them of all the related costs.

### 3.4.3 What consumers said

*"Unclear what fees are for"*

*"I want a fee breakdown on my statement. Other banks do this"*

*"Charged \$20-\$30 a month. I want fees itemised on my account"*

*"Bank couldn't give me a pamphlet outlining telephone banking charges"*

*"Banks should disclose charges on ATMs [for using another Bank's card]"*

*"Can't understand fees – 39 transactions, \$15 – but not sure what they are"*

*"Wasn't informed that switching accounts would mean I'd lose my free fee rebate"*

*"Banks should disclose fees by individual letters."*



### 3.4.4 Case studies from Bankline

A consumer transferred \$3000 from her account to her daughter's account. The bank charged the daughter \$9. The consumer later found out that if she had transferred \$2999 there would have been no charge. The bank did not inform her of this at the time of the transaction.

\*\*\*\*\*

Another consumer was irritated the bank did not discuss its charges with him before he undertook a transaction. He deposited a \$30,000 overseas bank draft and later found he had been charged \$260 in overseas bank charges, \$100 commission, \$30 cable costs and \$25 courier costs.

\*\*\*\*\*

One consumer, concerned they were paying bank fees of \$16 a month, approached the bank to ask how they could reduce their fees. The bank told the consumer that because their mortgage was over \$50,000 they should not have been paying fees at all. The consumer was annoyed they had paid charges unnecessarily for over 10 years.

\*\*\*\*\*

A consumer's son had a school account. He was going overseas for a year so he checked his account status with the bank. The bank informed him he would not have to pay any fees yet when he returned to the country he discovered the bank had charged him a \$25 inoperative account fee. The bank later refunded the money and the boy closed his account.

\*\*\*\*\*

A consumer was led to believe that signing up for bill-pay would be a cheaper option. The bank told her it only cost 35 cents a transaction, making it cheaper than paying a bill by mailing a cheque. The bank did not inform the consumer that as well as paying a 35 cent transaction fee she would be charged another 40 cent electronic transfer charge for each transaction, making the total cost of one transaction 75 cents.

\*\*\*\*\*

One bank's customer used another bank's ATM and was charged \$5 for the transaction. The customer thinks the bank should have had a notice on the ATM disclosing the fee.

## 3.5 Category E – Specific fees

### 3.5.1 Summary

Consumers are unhappy at the level of fees for specific services over and above the normal transaction fees.

### 3.5.2 Discussion

There were a number of complaints about the fees banks charged for specific services. These included:

- 42 consumers specified their dissatisfaction with overdraft honour fee charges. Most of these complaints concerned two banks which have set up their systems to automatically honour transactions which will take a customer into an unarranged overdraft, instead of declining the transaction. The customer is charged a \$15 fee per transaction for this service. Many consumers commented that they did not want this service and would rather be declined than be charged a \$15 fee. Consumers were particularly concerned that bank systems did not warn them a transaction would take them into overdraft at the time of the transaction. Several consumers commented that this system caused them to have ongoing difficulties managing their money. Many consumers thought this ‘service’ was purely a money making exercise for the banks. They questioned how banks could justify a \$15 charge when the decision to honour or dishonour a payment was usually done electronically at an ATM or eft-pos machine and appeared to involve no human effort at all.
- 12 consumers complained that their bank charges them a fee for using another bank’s ATM. Often consumers in rural areas, small towns and those with low mobility have little choice about which bank’s ATM they will use.
- 25 callers were particularly unhappy about telephone banking charges.



### 3.5.3 What consumers said

*"I went into overdraft using my card and was charged \$30 in fees. I would sooner get declined than pay \$15. Their system won't do this ... [the bank] refunded the fee"*

*"The overdraft honour fee is just a money making activity"*

*"Banks trap customers into paying fees – overdraft honour fee"*

*"Banks allow you to go into overdraft without warning, then charge fee – unfair. Makes it too easy for people to get into debt"*

*"Only [one bank's] ATM available – 50c charge"*

*"Charged for using [another bank's] ATM – no option, rural"*

*"Can get cut off on telephone banking and still get charged"*

*"Banks move to new technology then start slapping on charges, happened with telebanking and the internet"*

*"Even charged a fee when you phone to check balance"*

*"Two telephone transactions on one call still cost twice"*

*"Fees excessive and forever changing – telebanking was free"*

*"Charged for 74 telephone banking calls – I didn't make that many"*

*"Charge of .3% if bank handles over \$3000 cash – this is excessive ... complained and the bank reversed the fee"*

*"Telegraphic transfer fees are excessive"*

*"Bill-pay charges are excessive"*

*"Charged \$5 last month for a bank draft for overseas – this month it cost \$15."*

### 3.5.4 Case studies from Bankline

A consumer wrote a cheque of \$32 for her milkman. The cheque was stolen and after finding out that the fee to stop payment was \$30 the consumer decided the risk was low and not to bother.

\*\*\*\*\*

Charges for using another bank's ATM makes it expensive for a consumer to access their money. His bank (bank A) charges him if he uses another bank's (bank B's) ATM. Bank B's ATM is the only ATM in his town. While bank A has a branch in the consumer's town, on weekends he is left with no choice but to use bank B's ATM and pay higher fees.

\*\*\*\*\*

One consumer who thought the bank may have charged her too much interest on a loan approached the bank for information about her accounts. She was dismayed to be told the bank charges \$75 an hour to search for the information she requires.

\*\*\*\*\*

A consumer who transfers funds overseas every month discovered that one of his telegraphic transfers had not reached his destination. He was shocked to find that the bank charges \$10 to put a trace on the transaction when he had already paid \$25 for the transaction. He was not told the trace would take 4 to 6 weeks. The consumer eventually found out the transfer had been successful by calling the people he had sent the funds to.

\*\*\*\*\*

A consumer is irritated that he is charged \$15 every time he goes over his overdraft limit when he has \$30,000 in another account with the same bank.

\*\*\*\*\*

A consumer has a cheque account which does not have an arranged overdraft facility. The bank will let her – when using an ATM – take out more money than is in her account and then charge her a \$15 honour fee. The consumer has contacted her bank and told them she does not want this 'service', she wants them to reject her transaction if there is no money in her account. The bank has told her it is unable to do this. She is happier with her other bank which declines a transaction if there are no available funds.

\*\*\*\*\*



A consumer's wages were delayed for a day because his employer was having a computer problem. He informed the bank about the delay but was still charged a \$15 overdraft honour fee on a transaction. The bank told the consumer it cannot reverse this charge.

\*\*\*\*\*

A budget adviser says his clients are often pushed into overdraft by bank fees and then hit with an overdraft penalty or honour fee.

\*\*\*\*\*

A consumer rang the bank's 0800 number to ask where his tax statement was. The bank told him to ring the telephone banking number, using one of his 5 free calls a month, to find out. He found this a trivial and silly policy.

## 3.6 Category F – Service general

### 3.6.1 Summary

Consumers consider the standard of service offered by banks has declined markedly.

### 3.6.2 Discussion

A response was placed in this category if a consumer specifically commented on the standard of service offered by their bank.

Service issues included:

- Particular concerns with 0800 numbers and help desks, including long waiting times, bank staff being selective about which calls they return and consumers not being able to access their local branches by telephone.
- Decline in personal service. There was a perception that banks no longer valued customer loyalty and were unable to offer a personal service. For example, consumers could once rely on banks to cash their cheques if they had money in other accounts – now the cheques were bounced and consumers incurred a charge. Many callers felt their bank had not notified them of this change of approach.
- Long waiting times in branches.
- Bank staff were inaccessible or did not have complete knowledge of bank systems and products.
- Closure of rural and suburban branches had increased the cost and inconvenience of banking for rural, elderly, disabled and suburban customers.

### 3.6.3 What consumers said

*“I’m unable to keep up with my repayment schedule and unable to talk directly to anyone in branch”*

*“Phone service poor”*

*“Rude. Always leave their phones on answer phone and are selective about which people get their messages returned”*

*“No appointment for loans manager available. Tried for 2 days but ended up going to branch”*

*“Depersonalised service – I’m in Russell but my phone calls get sent through to Wellington without warning”*

*“Bank bounces cheques when I’ve got money in other accounts”*



*“No clocks in banks. Policy decision to remove clocks so people don’t realise how long they’ve been in a queue. Banks also don’t value their tellers – customers can’t get a good relationship with tellers. So difficult to access services through telephone banking”*

*“Spent 29 minutes waiting to be served. Not enough customer service people”*

*“Service is no good – banks close too early which is very inconvenient, especially when working”*

*“Bank trading hours are too short. Should be open on Saturday mornings”*

*“Why can’t one bank in a rural area be a receiving agent/drop box for other banks”*

*“ATM in Methven runs out of money constantly. Especially bad over weekends when overseas tourists can’t access funds”*

*“No local branch.”*

#### 3.6.4 Case studies from Bankline

One consumer said their bank’s service is “terrible”. The consumer tried to talk to someone at their local branch but was put through to a call centre, where they had to listen to advertisements for 11 minutes before someone answered their call.

\*\*\*\*\*

A consumer runs two cheque accounts and was dismayed to find that when one account went into overdraft the bank charged an overdraft honour fee rather than take money from the other account to bring it back into credit. The bank eventually offered to refund half the fee.

\*\*\*\*\*

One consumer felt the bank did not offer very personalised or flexible service. His superannuation is paid once a month but the bank refuses to let him pay his mortgage once a month. Nor would the bank debit his mortgage from his savings account. As a result the consumer pays his mortgage by fortnightly manual transactions. Once he missed a payment and the bank penalised him even though he had sufficient funds in his savings account.

\*\*\*\*\*



A Christchurch caller questioned why banks do not have more staff on at lunchtime. His bank only has four tellers on, when there are spaces for eight. There are often queues of 30 or 40 people.

\*\*\*\*\*

One elderly person finds it very difficult getting to a bank. There is no local branch and she pays \$18 return for a taxi to her nearest bank.

\*\*\*\*\*

A Southland consumer says that since all the banks have closed their branches in his town he has to make a 120 km round trip to the bank to deposit cash and cheques.

\*\*\*\*\*

A consumer in Northland is a 100 km round trip from the nearest bank. He is able to withdraw money using eft-pos at the local dairy but the dairy charges \$5 for every \$100 withdrawal.

\*\*\*\*\*

A man who had been with the same bank since 1960 is annoyed the bank no longer takes his banking history into account. The bank recently bounced his cheque but if it had looked at his previous record it would have known he has always covered any cheques he has written.

\*\*\*\*\*

A consumer has been assigned a personal banker who does not exist. He went to the bank to discuss a problem he was having but no one could help him because his non-existent personal banker is the only person authorised to deal with his account.

### 3.7 Category G – Disability issues

#### 3.7.1 Summary

Banks do not accommodate the specific needs of people with physical, mental or intellectual disabilities.

#### 3.7.2 Discussion

Consumers with physical disabilities often had difficulty using poorly designed ATMs and commented that a reduction in branches could make access to banks difficult.

Many people with physical, mental or intellectual disabilities had to use teller assistance at extra cost. Ironically, those people who most need teller assistance are often those least able to afford it, especially people on invalids benefits.

Others were concerned their disability meant the bank was not willing to lend them money.

#### 3.7.3 What consumers said

*“Disabled people can’t get loans”*

*“It costs \$5 for an automatic payment. I’m blind and can’t make it into the bank to do the transaction myself”*

*“Access to banks is difficult.”*

#### 3.7.4 Case studies from Bankline

A consumer who cannot read or write properly has to use the fastcash facility on an ATM or use a teller – which costs much more.

\*\*\*\*\*

The bank does not have a service in one disabled consumer’s area so she has to use other banks’ ATMs. She is charged fees for using other banks’ facilities even though it is difficult for her to get to the nearest branch of her own bank.

\*\*\*\*\*



A disabled consumer who needs to sit is upset his bank branch has removed customer seating.

\*\*\*\*\*

An advocate for the mentally ill was concerned that many people with mental illnesses require teller assistance to operate their accounts but they are charged more for this service. He would like banks to provide a fee exemption for teller assistance for the mentally ill.

\*\*\*\*\*

A consumer who is disabled approached a bank about opening an account. Bank staff told him he did not meet the bank's criteria. The consumer needs an account to have his benefit paid into.

## 3.8 Category H – Electronic banking and payment methods

### 3.8.1 Summary

There is a lot of consumer confusion about electronic banking systems.

### 3.8.2 Discussion

Consumers raised a number of issues in this category including:

- Confusion about the difference between direct debits and automatic payments and a lack of information about consumer responsibilities for these payments.
- Lack of information about transaction processing times. Many consumers did not know when their banks processed their transactions (eg at the end of the day) or the order in which transactions were processed (ie debits before credits). A lack of accessible information about bank procedures often caused consumers to miscalculate their account balances and available funds.
- Slow electronic transaction processing times. Money transferred between accounts could be debited from the first account one day and not show up in the second account until 2 days later. Consumers were concerned that despite paying high fees transactions seemed to take a longer time to process now systems were electronic.
- Banks did not clearly explain there was a clearance period for electronic transactions.
- Whether banks earn interest on consumers' money while it is in the clearance process.
- Banks updating consumers' 'available balance' before the funds had cleared and were actually available for use, leading to consumer confusion about their available funds.

### 3.8.3 What consumers said

*“Why do they let direct debits go through when you have no money? Then they withdraw the money from the account they have transferred it to and charge you \$25”*

*“My automatic payment was declined – even though I deposited more funds 2 days after automatic payment was due to go through”*

*“Is the bank earning interest on my money during the clearance period?”*

*“Arranged for Visa to be paid on 7 July but funds were not credited until 12 July”*

*“Banks need to be made accountable. Two working days before an inward automatic payment clears – it shows a credit balance including that amount, when that amount is not available”*



*“Debits are done before credits – so banks withdraw charges before crediting deposits. So you go into overdraft unnecessarily”*

*“Rent cheque is paid in on the first of each month but it doesn’t get paid into account during public holidays. For example, a payment on 1 January doesn’t go in until 5 January. Why can’t they do this differently in this day and age of computer advancements? Why can’t they work on a 7 day basis?”*

*“I make cash deposits in person so I pay more to use a teller, only to find that the money cannot be withdrawn until the following day. Apparently it’s not processed until the evening.”*

#### 3.8.4 Case studies from Bankline

One consumer did not realise it was his responsibility to cancel an automatic payment when he finished paying a bill. The consumer owed money to a finance company and paid it off over 2 years. However, the automatic payments continued despite there being no funds in the bank account. By the time the consumer realised, he was \$104 in overdraft.

\*\*\*\*\*

A consumer set up a direct debit from his cheque account to pay his Visa account. He is dismayed to discover the transfer between these two accounts takes 2 days.

\*\*\*\*\*

A property manager who oversees a commercial account finds that automatic payments paid into that account are sometimes withdrawn again by the bank 3 or 4 days later.

## 3.9 Category I – Cheques

### 3.9.1 Summary

Consumers think the cheque clearance process takes too long and are concerned that banks do not always act on post-dated cheques.

### 3.9.2 Discussion

Consumers were concerned that in an era of rapid technological advancement it still took 5 working days to clear a cheque. Many consumers suspected that banks had little interest in shortening the clearance period because they perceived banks made huge profits from interest on cheques during the 5 working day clearance period.

Several consumers had been caught out when their bank, having usually made cheque funds available instantly, had suddenly taken 5 days to clear a particular cheque.

Some consumers complained their bank had cleared a post-dated cheque early causing inconvenience and throwing their accounts into disarray.

### 3.9.3 What consumers said

*“Deposited cheque into credit card account to use while overseas. Didn’t clear in time. Stuck overseas with no money”*

*“It takes 6 days to clear a cheque but \$25 to clear in 30 minutes”*

*“Takes too long for cheques to clear, what happens to money in the interim – banks making huge profit. Conspiracy. In these days of automation why should it take so long?”*

*“5 day cheque clearance if you bank it but a cheque you write comes out of your account as soon as it’s banked, so they have your money for 5 days”*

*“Clearance time on cheques limits growth of economy – a 24 hour clearance time would speed up economy and economy would grow without inflation”*

*“Sent back-dated cheque to IRD. Bank paid it out early and then charged an overdraft fee.”*



### 3.9.4 Case studies from Bankline

One consumer said the cheque clearance system is quite confusing and he cannot understand why his cheque was dishonoured. He understood it took 5 working days to clear a cheque but a cheque he had written bounced within 3 working days. Questioned why when he deposits a cheque he has to wait 5 working days before he can use the funds.

\*\*\*\*\*

Similarly another consumer wrote four cheques on a Friday, transferred funds to cover them on a Saturday and was later surprised to find that all four cheques had bounced.

\*\*\*\*\*

A consumer thinks the 5 working days' clearance time on cheques is unfair because it actually means she has to wait 9 days to access the money.

\*\*\*\*\*

One consumer highlighted the difficulties caused by a bank failing to notice a post-dated cheque. In May 2000 the consumer wrote out two post-dated cheques which were subsequently banked before their date. The cheques bounced 8 or 9 days before they were due to be cashed and as a result the consumer was charged \$60 in fees. The bank told the consumer he had 48 hours to correct the problem if his cheques were cashed too early. The caller was referred to the Banking Ombudsman.

### 3.10 Category J – Credit cards

#### 3.10.1 Summary

Consumers are concerned about interest charging methods and late fees on credit cards. There is also some concern about misleading advertising of insurance offers relating to credit cards.

#### 3.10.2 Discussion

Consumers were concerned that:

- Interest charges on credit cards were calculated so that, if you had not paid off the entire balance from the previous month, you paid interest on that month's entire balance and did not have an interest free period. The effect of this is that if you have paid some of the balance you are charged interest on the total balance. For example, if a consumer is \$1000 in debit on a credit card and pays \$700 on the payment due date, the consumer will pay interest on the whole \$1000 for that month and will not get an interest free period on all future purchases. Consumers did not think banks explained this system of credit card charging very clearly.
- Bank advertisements of free travel insurance with certain types of credit cards were misleading because they did not state all the exclusions.
- Some banks' charges of fees on late payments of credit cards were unfair.

#### 3.10.3 What consumers said

*"I want legislation to stop banks from charging credit card interest rates in the current form – it's usury"*

*"Visa charging regime – it is unfair to pay interest on amounts you have already paid"*

*"You pay a \$20 fee [on credit card] as well as interest charges if you don't pay on due date. Don't get 55 days free credit"*

*"Paid Mastercard account of \$12.73 – 6 days late, was charged \$32.75."*

### 3.10.4 Case studies from Bankline

One consumer noted his bank did not disclose its method of charging credit card interest clearly. He later found out that he is charged interest on the outstanding balance and then any subsequent purchases from the time of purchase until he has paid off the balance. Does not think the bank is 'up front' about this.

\*\*\*\*\*

A consumer said that advertising for certain credit cards was misleading. He applied for a Visa Gold Card because the brochure said it gave free travel insurance. When the consumer went to use his free travel insurance he discovered it does not apply if you're over 75 years old and it does not apply to medical insurance.

\*\*\*\*\*

Not paying his credit card balance in full one month alerted one consumer to the bank's method of charging credit card interest. He questioned a \$16 interest charge because only \$130 was outstanding on his account. The consumer was told that, unless he paid the full amount on the date given on his statement, purchases in the intervening period attracted interest. The consumer thinks banks should make credit card charging clearer.



### 3.11 Category K – Negligence and complaints procedures

#### 3.11.1 Summary

Consumers raised a number of specific complaints which were referred on to either the internal complaints procedure of the bank involved or the Banking Ombudsman.

#### 3.11.2 Discussion

Bankline staff categorised 130 calls under ‘negligence’. Calls went into this category if they involved a specific complaint against a bank or involved what the consumer considered to be a bank error. Most calls were referred to either the bank’s internal complaints procedure or the Banking Ombudsman.

Many consumers said bank staff had failed to inform them about their bank’s internal complaints procedures even when an issue had not been resolved at branch level. Banks do have brochures outlining their complaints procedures but many consumers were not aware of this. Some consumers reported that bank staff did not inform them about the Banking Ombudsman and in some cases could not provide contact details for the Banking Ombudsman.

The complaints consumers raised in this category generally reflected the range of complaints the Office of the Banking Ombudsman outlines in its Annual Report. Complaints included problems with stopping cheques, lost and stolen cheques, automatic payment errors, ATM problems, e-transaction problems, problems with telegraphic transfers, mortgages and credit cards, and banks giving incorrect advice. Many consumers were seeking advice about their rights. For example, at least eight people sought advice about their rights and obligations regarding money their bank had deposited into their account in error. These complainants were referred to the appropriate steps in the formal complaints process.

#### 3.11.3 What consumers said

*“Not informed of disputes process”*

*“Bank staff didn’t know who the Banking Ombudsman was, or contact details”*

*“When I drew down a mortgage 5 years ago, I was told my personal account would be fee free – it wasn’t. When I queried this I was given incorrect information. Later I was told I should have a different type of account. I’m resolving it with the bank”*

*“I stopped my automatic payment months ago, but I’ve only now been told I owe \$700 in fees”*



*“There was a delay in restructuring my mortgage because the bank lost my file. In the meantime interest rates went up”*

*“The bank kept deducting my loan repayments after my loan was paid off”*

*“My child’s account requires two signatures for any withdrawals but the bank let her withdraw money with only one signature”*

*“The bank mixed up my personal account and my whanau account”*

*“I withdrew \$140 from an ATM but it only paid out \$100”*

*“Bank paid money into my account by mistake. I’m paying the money back but do I really have to pay interest on it?”*

*“The bank allowed my partner, who I’ve separated from, to borrow on our domestic property, without my knowledge”*

*“I set up a direct debit and the company involved took an additional amount from my bank account without my authority. The bank won’t reverse it.”*



### 3.11.4 Case studies from Bankline

A consumer said that although he had had raised several complaints with his branch none of the branch staff had ever told him there was a formal complaints procedure.

\*\*\*\*\*

A consumer fixed their mortgage rate at 7.5% in December 1999. As of July 2000 the consumer was still being charged interest at the floating rate. The consumer has been trying to resolve this issue with their personal bank for at least 3 months but cannot get any action. The consumer has been referred to the Banking Ombudsman.

\*\*\*\*\*

In December the bank actioned a consumer's automatic payment twice in error. The consumer contacted the bank and found that the bank would not put the money back. As a result the consumer went into overdraft. The consumer raised the issue again with the bank and asked to have fees relating to this transaction (about \$5) refunded. The bank finally resolved the complaint in March.

\*\*\*\*\*

A consumer who looks after her parents' account noticed an unexpected \$800 deposit in September 1999. As she did not know where the deposit came from she contacted the bank to confirm its origin. After one month the bank confirmed the funds belonged to her parents' account. Then in July 2000 the bank deducted the funds from the account. The consumer is concerned the bank cannot substantiate its claim that the funds belong somewhere else. Bankline staff referred the consumer to the Banking Ombudsman.

\*\*\*\*\*

A university student who signed up for a fee free account finds that fees are charged almost every month. Last month he had to have \$15 per week of fees reversed.

\*\*\*\*\*

One consumer has been charged for using telephone banking even when the bank's computers were down and she did not receive any service.

\*\*\*\*\*

One man who is disputing his bank fees has found that no one at the bank, including the bank manager, can explain to him how his fees have been calculated. Neither he nor the bank can reconcile the figures. He was referred to the Banking Ombudsman.

## 3.12 Category L – Unfair

### 3.12.1 Summary

Many consumers felt their bank had an unfair approach to certain issues, including declining people access to banking services.

### 3.12.2 Discussion

78 responses were put into the ‘unfair’ category. Many responses in this category concerned banks’ debt recovery actions, banks declining loans and banks not offering a consumer a particular service. Other responses categorised as a ‘benefit related problem’ and ‘service’ are also analysed in this section.

The issues consumers raised were as follows.

- 21 people were not able to open a bank account either because of their low income, or because they did not have the required minimum funds. New Zealand banks are under no legal obligation to provide a person with a bank account and there are no figures available on the number of people who have been refused a bank account by a bank. Bankline had five responses in this category from beneficiaries who needed a bank account to access their benefit.
- People who had been refused a bank account because of a poor credit rating were concerned that banks would not even allow them a savings account with no overdraft facility. This limited their ability to start to improve their credit rating.
- Several consumers complained about some banks demanding identification, often a driver’s licence, before cashing a cash cheque. Consumers were concerned that this effectively meant that a cash cheque was no longer equivalent to cash. This policy caused inconvenience particularly for consumers with no acceptable means of identification. Consumers were irritated that banks justified this policy by incorrectly claiming it was a requirement of the Financial Transactions Reporting Act.
- Consumers also identified a number of individual circumstances in which they considered their bank had treated them unfairly, including denying credit and commencing debt recovery action.
- Several of the calls put in the ‘unfair’ category also involved complaints against a specific bank and were referred to either the bank’s internal complaints process or the Banking Ombudsman.

### 3.12.3 What consumers said

*“The bank has taken all of my money for debt collection”*

*“ The bank refuses to add my overdraft on to my mortgage”*

*“Given run around when I wanted to know why the bank declined my application for a mortgage”*

*“Discriminate against elderly – won’t let them extend their mortgage”*

*“Bank cites Financial Transaction Reporting Act and requires ID for cash cheques”*

*“The bank demanded identification to cash a cash cheque”*

*“The bank requires identification to withdraw funds but won’t accept my bank card [for another bank] – my benefit is paid into an agent’s account and this policy makes it difficult for me to access my money”*

*“I wanted a bank cheque, the bank wanted 3 forms of identification.”*

### 3.12.4 Case studies from Bankline

A consumer’s son has been unemployed for a long time and is unable to open a bank account. He has an expired driver’s licence and an expired passport which the bank would not accept as suitable identification. His mother has opened a bank account for him and acts as his agent. She is concerned this has taken away her son’s human dignity and as a consequence he is very depressed.

\*\*\*\*\*

A woman took out a \$10,000 loan in December last year, but lost her job the following February. Her loan repayments were to be \$350 a month but she could only afford \$200 a month once she was on a benefit. She contacted the bank which advised her to provide a statement of position. She did this but the bank lost the forms. By this stage she had missed two payments. She provided another statement of position but, without warning, the bank took all of her money out of her account leaving her nothing to pay the rent or to buy food. The bank referred the debt to a collection agency. The consumer was referred to the Banking Ombudsman.

\*\*\*\*\*

A consumer considered it unfair the bank’s decision not to refinance her loan was made in Auckland, not in Gore where she holds her accounts. The bank staff in Gore were more sympathetic.

\*\*\*\*\*



In Christmas 1999 a consumer went to his bank to make a transaction and found the bank had closed his account. He was told it was because his account had been inactive for 2 months and was overdrawn by \$1.50 (as a result of bank fees). The manager told him the bank would reopen his account if he had a \$200 deposit. The consumer is a seasonal worker and did not have \$200. Subsequently he has not had an account since Christmas 1999 and cannot get a job because he doesn't have a bank account for his wages to be paid in to.

\*\*\*\*\*

Another consumer was shocked that after 30 years in business the bank had asked him to remove all his banking from the bank and had issued a formal demand for the repayment of all the money he owed the bank.

### 3.13 Category M – Youth issues

#### 3.13.1 Summary

Bank policies for youths are inconsistent and confusing.

#### 3.13.2 Discussion

Several people commented on inconsistent bank policies regarding secondary student exemptions. The children of several callers did not qualify for the exemption although they were still secondary students because they had reached the age of 18. Most of these callers noted their children would again qualify for an exemption once they had become tertiary students.

Some parents also commented on the lack of consistency between banks about the age at which young people could get ATM cards.

#### 3.13.3 What consumers said

*“Charged fee because 18 year old at school (would be fee free if at varsity)”*

*“Can’t get fee concession for 18 year old for 6 months between finishing school and starting university”*

*“Steering people to cards but account was for 12 year old and parent doesn’t want child to have an eft-pos card.”*

### 3.13.4 Case studies from Bankline

An 18 year old who spent a long time off school through illness has discovered he is being charged full bank fees even though he is still a school student. The bank's exemption for school students evidently does not apply to 18 year olds.

\*\*\*\*\*

Consumer's son was still at secondary school when he turned 18. Two weeks after his birthday the bank had deducted \$1.75 in fees, putting him into overdraft.

\*\*\*\*\*

A consumer wants to see consistency in the banking industry's approach to young people getting ATM cards. The age limits vary from bank to bank with Bank A allowing those 12 years and older to have a card, Bank B allowing 13 year olds a card and Bank C allowing 7 years olds to have a card if their parents sign an indemnity. The consumer thinks the Ministry of Youth Affairs should establish a code of practice for young people.

### 3.14 Category N – Other issues

#### 3.14.1 Summary

Consumer choice is limited within the current banking industry.

Positive comments about banks.

Support for a Peoples Bank.

#### 3.14.2 Discussion

Issues raised in this category included:

- A lack of competition between banks particularly on fee structures and service limited consumer choice.
- Requirements for minimum deposits to open a new account restricted the ability of consumers, especially beneficiaries and low-income workers, to change banks.
- The imposition of what consumers considered to be undesirable services, such as the overdraft honour fee system, without offering consumers the choice of declining the service.
- 13 people who banked with 14 banks expressed satisfaction with their banks.
- 21 consumers called Bankline to express support for a ‘peoples bank’. A number liked the concept of a New Zealand owned bank and welcomed the prospect of having a branch in their area. Some commented that they would be satisfied if it provided basic banking services.

#### 3.14.3 What consumers said

*“I want to change banks but the minimum deposit required is too high”*

*“Can’t change banks because they require too much money to open an account”*

*“Renegotiate mortgage – charged a \$250 set up fee.”*

#### 3.14.4 Case studies from Bankline

One consumer said he would like to see more competition as that might lead to better service. More competition would enable consumers to make a choice, which he felt would be a vast improvement because they do not have much choice at the moment.



## 4. CONCLUSION

The information the Ministry of Consumer Affairs received during the running of Bankline provided a snapshot of views from a relatively small number of consumers and does not necessarily reflect the wider consumer experience of banking. The information does, however, point to a strong dissatisfaction in two key areas – the level of fees charged and the way banks provide consumer information. The conclusions below suggest key discussion points for banks and the Ministry of Consumer Affairs. This information should be a useful input into the review of the Code of Banking Practice which will occur in 2001.

### 4.1 Fees

The largest number of calls was about fees. While there was a general perception that fees were too high or were unjustified there were also strong views regarding the perceived lack of information from banks about fees.

Listed below are the ways some consumers suggested banks could provide better service and could allow consumers more control over their exposure to fees:

- Provide the option of having bank fees deducted as they are incurred.
- Itemise fees on statements.
- Ensure bank staff explain fees before over-the-counter transactions are made.
- Provide easily accessible information about fees at branches.
- Where a bank operates an overdraft honour fee system, allow consumers to choose whether they want this service or not.
- Offer fee exemptions to people with disabilities.

### 4.2 Complaints procedures

Banks could make information about their own internal complaints procedures and the role of the Banking Ombudsman more accessible (for example, by using more straightforward titles on complaints brochures).

Evidence suggested that not all bank staff (including call centre staff) knew about the Banking Ombudsman or were able to provide contact details to customers. Staff training could address this issue.

### 4.3 Keeping consumers informed

Banks could provide plain English, easily accessible information (on cards?) on matters consumers found confusing, including:

- the order in which the bank processes debits and credits
- cheque and electronic payment clearance times
- crossing a cheque
- stopping payment on a cheque
- appropriate PIN numbers on credit/debit cards
- how credit card interest is calculated



- how direct debits and automatic payments work (including consumer responsibilities)
- liability on joint accounts
- how to calculate loan repayments
- what to do if money is deposited into your account in error
- how fees on telegraphic transfers are charged.

#### 4.4 Services

Bank branches and ATMs could be made more accessible to people with physical difficulties.

Banking services could be made more accessible to rural and elderly people.

Banks could improve staff training so all staff had a comprehensive product and fee knowledge and could advise consumers accordingly.



## APPENDIX: COLLECTING THE DATA

Bankline staff recorded each telephone call on the form below.

Personal Details	Category	Service	Conduct	Date
<hr/> <input type="checkbox"/> BOMB referral	Information	Cheques	Breach of contract	<b>Referred to:</b>
	Complaint	Credit cards	Debt collection	
	Beg Dispute	E Banking	Disclosure	BAS
	D. Dispute	General	False/misleading Fees/charges	DT
	Not BankLine	Investments	Fees/errors	Lawyer
		Loans/mortgage	Negligence	Privacy Cmsr
		Overdraft	Privacy	Other: _____
		Payment methods	Services of Unfair/harsh conduct	
		Savings account	BRP	
<b>Advice given/case study details</b>				<b>Bank</b>
				AMP ANZ
				ASB BNZ
				NatB TSB
				WPAC
				Other:
				PSIS
				_____
<input type="checkbox"/> Tick for Commerce Commission referral		Tick for possible case study		<input type="checkbox"/>