



Banking Ombudsman Scheme

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Mr Philip van Dyk
New Zealand Bankers' Association

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Dear Philip

Submission on NZBA's draft Code of Banking Practice

Thank you for the opportunity to comment on the NZBA's draft code.

We support the draft code's principles-based approach. We acknowledge a plain English, principles-based approach makes the code more accessible to customers and more flexible in responding to changes in the sector. We also support the development of supporting guidelines to detail how the principles and obligations can be implemented. We note there is no intention to lower banking standards or reduce customer rights; rather the intention is to give more flexibility in determining what good banking practice is and how banks should conduct themselves.

We would like to specifically comment on the principle about banking system security. In the current draft, the principle concerning privacy and confidentiality has been amalgamated with the principle of security of banking systems. We consider there should be a clear statement of principle in the code about the reimbursement of genuine victims of fraud.

We are seeing a number of cases of customers being affected by cyber fraud, and note the methods of fraud are continually evolving and becoming more sophisticated. The losses from fraud of this nature can be substantial. It is current banking practice that customers are not liable for losses resulting from unauthorised electronic transactions, unless the customer has acted fraudulently or negligently or caused or contributed to the loss by breaching the terms and conditions.

Given the importance of electronic banking, we recommend that the NZBA includes the principle about the reimbursement of genuine victims of fraud in the updated code.

We look forward to working with NZBA to establish supporting good practice guidelines.

We are happy to discuss our submission with you in more detail. We agree to the NZBA making our submission available to the public.

Yours sincerely



Nicola Sladden
Banking Ombudsman