

8 May 2018

Aneleise Gawn
Consumer Advocate
Consumer NZ
Private Bag 6996
Wellington 6141

Dear Aneleise

Consultation on the new Code of Banking Practice

Thank you for your letter of 26 July 2017 including Consumer NZ's submission on our review of the Code of Banking Practice. We also appreciate the time you and Sue Chetwin have taken to meet us to discuss progress with the Code during the consultation period.

We were delighted with the valuable feedback we received through the consultation process. The high quality of written submissions and other feedback we received has resulted in a new edition of the Code of Banking Practice that will much better communicate to customers what they can expect from their bank.

A principles-based approach

In the revised Code banks promise to:

- treat their customers fairly and reasonably
- communicate with customers clearly and effectively
- respect customers' privacy and confidentiality and keep their own banking systems secure
- act responsibly if they offer or provide customers with credit
- deal effectively with customer concerns and complaints.

This high level principles-based approach makes the Code more accessible to bank customers and avoids duplicating customer contracts. It will also provide the Banking Ombudsman with more flexibility in determining what good banking practice is. Further, it will keep the Code up to date with changes to the way we're banking and new obligations for banks under consumer law and regulations.

While the new Code looks quite different from the current Code, there is no change to existing consumer protections. The five principles in the new Code reflect the banking industry's current customer commitments. In adopting these principles, our member banks will have to think carefully about how their conduct meets the commitments in the Code.

Publishing the new Code

We are currently finalising arrangements to publish the Code and our member banks are ensuring their internal policies and processes, including staff training, are aligned with the revised Code.

We have attained the WriteMark plain language standard to help ensure the new Code is clear and easily read.

We expect to publish the new Code on 1 June. We will publish submissions, and our response to those submissions, when we publish the Code.

The Code will be available in booklet form in bank branches and on bank websites. It will also be available on our website in text format that's suitable for screen readers, and in a PDF format that can be downloaded and printed.

Changes to the draft Code

One of the main issues to come through in the submissions we received was the need to explicitly include a reference to the ongoing commitment to reimburse customers for card and internet banking fraud losses. We have made that change.

To aid comprehension, we have also included more descriptive sub-headings, particularly in the introduction and in the final section on dealing with complaints.

Please find attached the final text of the Code, for your reference.

Our response to your submission

We are pleased that you broadly agreed with the approach to the new Code.

In response to your key points:

We have accepted your point on banking security under the general expectations section and have amended the statement to "We will keep your information and the ways you bank with us secure".

We have accepted your point on fraud liability under the privacy and security section and included a statement that victims of card and electronic banking fraud will be reimbursed for losses, consistent with the customer commitment in the current Code of Banking Practice.

We have accepted your point on staff compliance with the Code under the fair and reasonable treatment section, and have amended the wording to “We’ll ensure our staff are aware of this Code, and relevant staff know how to comply with our responsibilities to you.”

We have accepted your point on clarifying the Banking Ombudsman’s role in the introductory section, and have amended the wording to “Later in this Code we set out what you can do if you’re not happy with anything we’ve done, including how to complain to us or the Banking Ombudsman.”

You have suggested we say information about banks’ complaints processes be made available at branches and on bank statements. The Code says “We’ll make information about our free complaints process easily available, including on our website.” We consider this wording provides banks with flexibility to provide information about their complaints process through a range of channels.

You have suggested that a timeframe be stipulated in which banks are required to provide a response to complaints. In our view it’s appropriate to allow flexibility in the bank’s response time to reflect the level of complexity in any particular case. The Code requires that the response must be made in a reasonable time, which the Banking Ombudsman can determine.

We have accepted your point about saying the Banking Ombudsman’s service is both free and independent. We’ve included more information about the Banking Ombudsman’s role.

We have also accepted your point about footnotes being part of the main body of the Code, and have made that change.

Conclusion

We warmly appreciate your contribution to the new Code of Banking Practice. We’re pleased with the result because it more clearly communicates what customers can expect from their bank. We hope the revised Code will build on our industry’s reputation and support better banking in New Zealand.

Yours sincerely

Karen Scott-Howman
Chief Executive