8. Transforming the financial system: Inclusiveness

What:

Recognise that financial services and products are a utility and create an inclusive financial system.

Why change is needed:

A sustainable financial system should be a utility and available to all. Expanding access to the financial system to those currently excluded, will significantly improve the financial and wellbeing outcomes for those people and their families and local communities.

Counterfactual:

Financial sector profitability is favoured above inclusiveness leading to exclusions from the financial system. This leads to further deprivation, as many people in vulnerable circumstances are not able to access financial products and services or identify support channels. As technology accelerates, those that are not digitally literate will become further excluded.

Desired outcomes:

- The cost of using a mainstream bank or financial services provider does not exclude vulnerable customers from accessing these products and services.
- Customers are freely able to access support services, either digitally or in-person.
- There is better coordination of programmes responding to vulnerable customers.
- There are innovative products and services for those not able to access mainstream banks, and these products and services are fair, just and inclusive.
- Financial mentors are valued and appreciated, with training and support provided to support them.
- The KiwiSaver Act continues with financial contributions to those working after the age of 65.

Recommendations in action:

The missing middle: Prometheus Finance

Prometheus was a profitable microfinance entity that lent to customers which met its credit and ethical standards. To meet higher capital adequacy requirements for non-bank deposit takers, it required additional capital. The business model was unfamiliar in Aotearoa New Zealand – not being a bank or a charity and so it failed to raise the needed capital. This is a similar issue for other entities trying to fill the service gap between commercial entity and charity.

To read more about this case studi and the detail behind this recommendation, r ead the Technical Chapter here.

Chapter 8: Inclusiveness

Inclusiveness: Detailed recommendations

What:	Topics	Recommendation
Recognise that financial services and products are a utility and create an inclusive financial system.	Remove account and transaction fees for customers in vulnerable circumstances.	a) Banks remove transaction or account fees for small account holders. This should commence with research around the impact of transaction account fees on customers with low incomes, especially direct debit dishonour fees and over the counter transaction fees.
	Provide affordable digital access to all.	a) Financial service and telecommunications sector work together, with the public sector, community and social sector representatives to identify actions to address affordability and connectivity barriers to financial inclusion; for example, zero rated cellular data when accessing social services (similar to 0800 free-call numbers for phone calls).
	Develop guidelines and develop a better approach to coordination between service providers responding to customers in vulnerable circumstances.	a) Notwithstanding privacy considerations, legislation be developed to require financial institutions to report to Government at a macro level on when they are unable provide vulnerable customers a product and the reason why. b) Develop industry guidelines for the sharing of information between service providers that could provide earlier warning on customers in vulnerable circumstances. c) Develop industry guidelines on actions for assisting people in vulnerable situations, including excluded customers, which can provide better long-term outcomes than drastic actions, such as foreclosure. d) Alongside that, crystallise informal public and private cross-sector collaborations to support customers in vulnerable circumstances, perhaps similar to 'The Thriving Communities Partnership' in Australia.
	Provide support for innovative impact products and services targeted at underserved groups.	a) Increase Government funding for pilot microfinance and payment-for-outcomes programmes to allow them to reach scale and improve expertise within the sector. b) Collaborative R&D by the public and private sectors and consumers to co-develop new products, services, and institutions that provide access to appropriate forms of finance for currently underserved individuals, households and new business models.
	Scale financial mentoring, advocacy and budgeting programmes to all requiring access.	a) Develop a training programme (diploma or equivalent) for financial mentors to increase the quality and consistency of advice, and ideally lead to less turnover in the workforce. These programmes should be developed with the involvement of the community, Treaty Partners, Government and the NGOs. b) Develop an independent funding body, which is financed by financial sector participants, that can scale-up a range of independent financial mentoring and advocacy programmes that are fit for different underserved communities.
	Address age discrimination in the KiwiSaver Scheme.	a) Revise the section of the KiwiSaver Act 2006 which allows employers to stop KiwiSaver to employees over the age of 65.